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Office of the Secretary
Federal Trade Commission
Secretary, FTC, Room H-159 (Annex W)
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Public Comment: "Franchise Rule Staff Report RF511003"

Re: DISCLOSURE REQUIREMENTS AND PROHIBITIONS
CONCERNING FRANCHISING
Staff Report to the Federal Trade Commission and
Proposed Revised Trade Regulation Rule (16 CFR Part 436)

Dear Sirs,

I wish to comment in this letter on the Federal Trade Commission's first opening statement paragraph in the report just prior to the "background section" directly following the table of contents of this report:

DISCLOSURE REQUIREMENTS AND PROHIBITIONS
CONCERNING FRANCHISING

Staff Report to the Federal Trade Commission and
Proposed Revised Trade Regulation Rule
(16 CFR Part 436)

The FEDERAL TRADE COMMISSION states in the opening paragraph of the report:

"Since 1995, the Commission has considered amending its trade regulation rule entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" ("Franchise Rule" or "Rule"). to ensure that it continues to be relevant in today's marketplace and reflects our law enforcement experience over the last twenty years. The amendment process began with a regulatory review of the Rule in 1995, which was followed by the publication of an Advance Notice of Proposed Rulemaking ("ANPR") in 1997 and most recently by a Notice of Proposed Rulemaking ("NPR") in 1999. In general, there is substantial support for the Rule, although many commenters believe that the Commission should reduce inconsistencies between federal and state pre-sale disclosure laws, update the Rule to address international franchise sales and new technologies such as the Internet, and expand the Rule's disclosures to address franchisees' concerns about the underlying franchise relationship. This report analyzes the rulemaking record to date. and sets forth the staff's recommendations for the final revised Rule."

I can certainly appreciate the Federal Trade Commission looking into something like this since no significant major changes have been made since the 1970's. Why is it that the Federal Trade Commission did not consider prior to 1995 or even now that it is nearly 2005 another (10) ten years later that perhaps the category:

"Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures"

or the more commonly used abbreviation when discussing franchise disclosure rules by Industry and the Federal Trade Commission themselves as:

("Franchise Rule" or "Rule").

when discussing franchises and business opportunities separately.

The modern Franchise business model and the much different business opportunity should be broken into completely different parts to better fit the two-different business models and have their own set of regulations, which would contain similar stipulations with regards to prohibitions, definitions or basic rules of law. I would beg to differ from those who propose similarities in rules of law or basic definitional properties of business opportunities and franchises, which did not co-evolve between 1970 to 1995, but rather Franchising branched off completely to form a divergent and much higher cognitive state. Business Opportunities on the other hand meandered to experience a multitude of developmental digressions, which now encompass everything from MLM businesses and ATM machines to Kiosks and online vitamin supplements.

When the Federal Trade Commission originally considered additional regulatory oversight and disclosure of the franchise rule in 1995 the business models should have forever been severed as distinct and different species, even though one could say they were born of the same evolutionary branch. Now in 2004, almost 2005 we see that these two methods and business models do not belong in the same ballpark at all. Business Opportunities are evolving quite fast like a virus where as franchises are a more complex and ongoing life form. Franchising and business opportunity law must be separated completely if we are to make any relevant progress. If the goal of the Federal Trade Commission, which is somewhat unclear in concept is to protect the consumer and assist the industry with any sort of appropriate guidance, there can be no further consideration that business opportunities should remain in this line of discussion. Nowhere in the franchise rule should the name business opportunity occur unless describing a situation where a franchised business model did not meet the minimum criteria in initial fees or ongoing payments in the definitions of a franchise, however did qualify under a new definition in the Federal Trade Commission of business opportunity definition.

One major issue not being addressed right now which was not discussed nearly ten years ago when the Federal Trade Commission thought it might consider

while looking into the franchise rule is that there now exist some fraudulent activity going on in coffee shops across America with regards to multi-level marketing recruiters for QuickStar (Sp?). It appears that consumers have grown wise to MLM business opportunity sales tactics and therefore that form of virus has hijacked a new host and modified it's intended definition. This is happening where the salesman, MLM recruiter calls their business a "Private Franchise" and then spends about 20 minutes of the presentation discussing the incredible success of McDonalds and other franchising giants prior to drawing circles on paper and making forward looking statements about their parent company, without presenting a full audit and then make earning claims to the potential signer up of the MLM program. The circles have names like Diamond, Emerald, Ruby, Direct, Etc all in line with the Amway methodology. This is not a franchise, not even close in the Federal Trade Commission definition, yet due to the lack of guidance in true definitions, the words; "Private Franchise" has been adopted and the word "franchise" is used throughout these loud presentations in coffee shops across America each day. As a matter of fact it is hard to sit in a coffee shop anywhere in this country without hearing one of these presentation on any given day. See for yourself. A failure to completely separate the entagled business models in the Federal Trade Commission's definition does so at the detriment of the consumer. The Federal Trade Commission's job is to educate protect the consumer, yet it is failing to act to this new biological threat which might harm the current complex life form of the Modern Franchise business model. The consumer begins to perceive that somehow an MLM business is exactly the same as a franchise. That they will receive the same things, expect the same things and receive similar presentations.

In the original comments in 1999, I had made mention of this problem although those comments were not addressed within this report. Operation "Bizzillions" seemed to be an enforcement action which did collect some fines for the Federal Trade Commission in their quest to show progress here, but the MLM virus has again evolved and found a new host since the comments of 1999 and needs to be addressed in this rule making comment period and a vaccine needs to be introduced. The reputation of the franchising community in the market place has been hard fought and the viruses of business opportunities have been able to re-align themselves with that success. The Federal Trade Commission needs to separate out the two. Franchising and Franchise needs a pure legal definition, that cannot so easily be used to promote that which barely resembles anything close to it, by fast, high decibel talking salesmen coaxing middle class Americans into a ponzi scheme using the franchising definition and examples. For when this is done it is lying to consumers in a harmful and hurtful way under the auspices of the business format I love. This my friends is unacceptable and must be stopped. A difficult task for Federal Trade Commission law enforcement?

Yes, perhaps this is the reason that no mention was made of it anywhere in this report?

Having been to every city in the country over the population of 10,000 in the last four years and listening to these sales pitches in nearly every coffee shop I have step foot and stayed for more than one hour; it is now obvious to me that these MLM people are making at least 25,000 to 40,000 of these presentations per day in public places and that would not include dining room table presentations at college campuses, private homes and residences. What is the Federal Trade Commission planning on doing about this abuse of their definitions unfair business practices? Are these MLM Business Opportunity people too small to go after to raise fees for the agency and therefore not worthy of ROI for the Federal Trade Commission? Which begs the question if a business is too large with big gun Washington based attorneys then it is not going to be a target, because the Federal Trade Commission most likely cannot win and if the business is too small then the Federal Trade Commission will not go after them since there is nothing in it for them? So it is safe to say that if you are below the radar screen, the Federal Trade Commission does not care and if you are fortune 500 you are okay with the Federal Trade Commission because you have political clout? So even though fraud real fraud occurs 25,000 to 40,000 times a day, it is all right because the individuals perpetuating the fraud are too small, because they have no money to pay fines and because they probably do not understand the laws? If they do not understand the laws and the consumers do not understand the definitions of a franchise, cannot find the states on a map of the US, that there is nothing that can be done? Does this mean that the costs to educate the general public are too high and that money would be better spent hiring more attorneys at the Federal Trade Commission to attack and collect fees against small and medium sized companies which provide more jobs, tax base as a whole than the larger companies who pay little if any taxes or the small tiny MLM companies which provide one or less jobs? I personally see a whole lot of double standards here and question the true motivation of the Federal Trade Commission law enforcement efforts. I would like clarification, think the business community has that right and the Federal Trade Commission has the responsibility to tell the country why it also massive fraud on one hand, yet will modify complaints, declarations and use secret courts as tactics to selectively prosecute much more reputable businesses? If the Federal Trade Commission cannot answer this question, then the franchising and business op division, no matter what verdict is reached on the new definitions of these business models, should be shut down and the tax payers should be alleviated from the cost of burden of their endeavors. In the franchising division because there is no fraud to speak of and in the business opportunity division because it is not being enforced anyway. Simply admit, that business opportunity virus has reached epic proportions like

SPAM and the problems cannot be controlled. Let another agency take over such as the CDC.

The Federal Trade Commission has an obligation to the general public, their stated consumer education mission and to the over regulated franchising industry to separate completely the two business models. Any failure to completely separate them will trigger additional problems down the road and cause this on-going process of rule review to continue, without any formalization. This of course is good for attorneys who make money on these ambiguities for lawsuits and great for Federal Trade Commission tenure and job security. I realize it also allows for additional travel budgets of governmental employees during these rule making processes and probably more time-out, “let’s think about this one”-coffee breaks on various floors of the Federal Trade Commission’s fully furnished 1970 desk style ambiance. However it is not good for consumers or industry and creates unlevelled playing field on one hand and complex barriers to entry for start-up entrepreneurs with regional dominance and efficiencies, which lend themselves well to the franchise business model on the other.

QuickStar is not alone in these adhoc presentations, which would send chills down the spine of any compliant franchising executive or real franchisor. So then, what is a real franchisor? What is private franchising? What is a Business Opportunity? What is an MLM business? What is a hybrid or cross-breed of any of these combinations? How on Earth in laymen terms can the Federal Trade Commission explain this to us, so that we might explain the differences to consumers when asked. Where on the Federal Trade Commission website is there a place which describes all of them and the possible variations? Due to the introduction of the term “Private Franchising” by QuickStar in the interim between 1999 comments and 2004 evaluations by Federal Trade Commission it appears that the definition landscaping in the real world is hyperspacing the definitional upgrades to the franchise rule in the wonderful world of bureaucracy. We should not kid ourselves into thinking that this report or any subsequent changes now, will change anything in the actual market place as to the number of; for the most part non-existent fraud events in franchising. The number of fraud cases in franchising is basically nil as per Federal Trade Commission’s own statements to congress:

The number of complaints do not indicate ramped fraud in the franchising sector. Nearly all the franchising cases the Federal Trade Commission filed, were gray, cry wolf area and most settled as soon as possible considering the slow

nature of our courts in America. Some of the cases the Federal Trade Commission had brought since 1970, which fell within their franchising rule jurisdiction were doctored up claims against smaller franchising companies, involving false declarations, secret Federal Trade Commission court filings and Federal Trade Commission runaway case worker investigations to prove themselves right once the target was sited. I know this because our company was filed against in such a way. These tactics and thought process of course human behavior to prove yourself right and is seen with students Thesis at University Levels, Politicians justifying actions, policemen lying in paperwork and religious cults. We will not comment on the serious nature of the Federal Trade Commission, starting a case and working hard to prove guilt of the target to justify their existence or next years budget. It is safe to say however that in franchising, significant checks and balances already exist along with the rights of private action which abound with the sharks of the legal system looking at small fortunes and pots of gold created by franchisors in the market place. The ambulance chasers are in fact ready to pounce on any possible violation or perceived violation in the franchise rule. If not these fake EMTs will attempt to create a gray area to slither thru an open window, cracked screen or drive the ambulance right through the front door like a crazed Islamic radical suicide bomber coming from a Cleric's meeting to snatch the cash, take the safe or just to collect the 72 Virgin C-notes in fees for filing the suit. The Federal Trade Commission also often abuses their power with regards to the franchise rule as they need to bring so many cases every so many years to prove they are doing something.

Now then, isn't that really what this report is all about? Proving that the Federal Trade Commission is in control? After all it is nearly 10 years after the Federal Trade Commission considered revising the rule, before this report has surfaced again. Ten years? Franchise companies have come and gone since then, technologies have come and become obsolete since then. The Federal Trade Commission does not need to prove self worth in the franchising realm, for the industry fully under control with fewer than 2000 active franchisors at this point. Making rules which will only effect 2000 total companies in an already over regulated industry is just not needed. Do not worry about it. Change some definitions, reduce these over burdensome regulations in the franchise rule to prevent unnecessary barriers to entry, maintain competition in the market place and everything will be fine. Right now as it stands these regulations in franchising and those proposed changes will actually create criminals or perceived fraud of entrepreneurs who will be investing capital into markets and providing jobs. Making criminals out of the hard chargers who create, build and innovate, merely because they did not fill out a form correctly, have an extra

sentence in a paragraph or make a chart just right is simply something that the Federal Trade Commission should not be involved in.

The statue in front of the Federal Trade Commission shows a half naked man on steroids who could not make the Olympic team in Athens due to doping issues. This man in the statue is attempting to control the mighty wheels of commerce depicted by a horse, it does not show a man shooting the horse in the head with an unregistered handgun. Either way this cruelty to animals is so highly and politically incorrect it must be stopped at once. The Federal Trade Commission needs to get with the program, provide a seem less market place and work with the business community or remove the statue. Since 1980 the number of active franchisors is down from 5800 to about 1700 as of 2003. The franchising industry employs a huge chunk of our workforce. Franchising accounts for almost 1/3 of every consumer dollar spent in America, which drives sales and sales tax revenues for state and local governments at a time when they can use all they can get. Franchising accounts for over 350,000 plus outlets, which open each day to sell their wares to willing buyers of their products and services. For us to consider the few complaints in franchising a trend that fraud is increasing and for the Federal Trade Commission to go out of their way to bring cases about out of mere complaints and further burden the industry with additional rules is truly absurd.

Did you know that 70% of all complaints received by the SEC have no basis at all, has the Federal Trade Commission ever done such a study? If there are fewer than 1/10 of one percent complaints in franchising, reduce the disclosure, reduce the rules and let free enterprise solve the real problems that plague mankind, do not add to the current bureaucracy. It is just not needed. The Federal Trade Commission has so many other things to worry about without putting the final death nail in the franchising model, as middle class families of this country are struggling to make ends meet. A few of these families wish to include as part of their strategic plan to pursue happiness in business of their own. This is their definition of the American Dream and what better industry to provide that too them than the franchising model? What say you?

May I ask why we are looking at reviewing these rules for franchising, where no problems exist? Why we are looking to tighten up ambiguities, which over time have occurred in this sector, when we should be dismantling the over regulations choking the industry? Why we are trying make rules upon rules, where no rules are needed since no problem really exists? Why can't we use the red magic marker approach and start drawing lines thru massive amount meaningless dribble required in these disclosure documents?

Let me explain this philosophical thought for a moment. Recently Mr. Allen Greenspan before the Senate was asked about rules in the securities industries, stock exchanges, broker dealers to curb potential future fraud. He then correctly indicated that once you make a rule, the temptation to make additional rules to close gaps is just too great. Now then are we not sure we are headed down a slippery slope with regards to the litigious nature of the franchising industry, in that the trend in the industry currently is for franchisors to exit the market place. One Industry Insider, franchising consultant in Houston is recommending this to his major clientele –Stop Franchising. Adding more laws and disclosures will only cause fewer competitors in the market, fewer choices, higher prices all in the name of protecting the now damaged consumer? This means we may deny many their American Dream of owning their own business and those citizens who have their hearts set on it will be severely limited in the number of choices and ways to go into business. Who does this really help? A few more jobs at the Federal Trade Commission? Room for a few more franchising lawyers to bill at a little higher rate? If we reduce the rules, some franchise attorneys will have to move to California to sue for workmen’s compensation, to the northern Midwest to sue for mold or to Cape Cod and specialize in the new emergence of the ever-changing family law there? The attorneys have made thousands of dollars in the franchising realm since 1970 and in the last decade doubled their fees between 1995 and 2005, enough is enough?

In this philosophical discussion let us look at history for a moment shall we? If Ray Kroc had to pay \$45,000 to create disclosure documents to franchise right out of the gate, could he have still had the capital to do it? Would he have wanted too? What if he had to pay an additional \$15,000 per year to stay registered in all the states? Another \$10,000 to \$20,000 to keep up with the law changes and case law? Could he have actually stayed in business? If Ray Kroc in those early days had to pay \$25,000 for financial audits could he have survived? If the number of accountants willing to do audits were cut in half due to current errors and omissions insurance and peer review costs would Ray Kroc have been able to juggle that during his first five years traveling the country and sleeping in hotel rooms, while building the business? Remember Ray Kroc was not married to wealth like the late Sam Walton who toured the country in a motor home looking at sites and studying the competition. Ray Kroc and Sam Walton both had to do it the hard way, but Ray Kroc was doing it out of cash flow. With the current problems in complying with all the accounting audit issues in franchising after the most recent Sarbaines Oxley Law causing delays of necessary audits in a timely fashion due to fear of violations in the accounting industry, demand for more audits in all sectors causing serious supply and demand issues getting an audit done on time for franchise registration renewals is tough?

Could Ray Kroc have accomplished this too, along with the additional costs and state registration deadlines? Wait we are not done yet. If Ray Kroc had to comply with all these proposed rule changes and existing rules and revise his disclosure documents each time an attorney created case law which might be detrimental to the over all system, could he have survived in the first five years? Yes or No? If Ray Kroc had to deal with all the different state laws and contradictions in Federal Trade Commission rules, could he have done it? Remember his first stores were in “Cal-if-Forn-ia” (Arnold Humor) and Illinois. I submit to you that Ray Kroc could not have done what he did and McDonalds would never have come to be. I also submit to you that NPR would be closing it’s doors and gone off the air this year if it were not for his wife’s donations. Ronald McDonald House would not be available either. Millions of Americans would not have learned customer service or had that first job to teach them such important aspects business. The State of Idaho, where Simplot Potatoes grows it’s crop would not have made the profits and paid the tax income which allowed that great state to prosper. The Beef industry would have also been severely impacted, how would that industry have faired in the heated mass media hysteria of Mad Cow or the droughts causing cattle to be taken to early slaughter. Those frivolous lawsuits in Canada about being fat would leave our Canadian neighbors with nothing to bitch about and we wouldn’t want that? Also the reality of the need for tort reform example of spilt coffee would never have existed? Do you doubt what I am saying? Well then “Grinding It Out” Ray Kroc’s book can be found still and it ought to be required reading for all Federal Trade Commission employees who have never had to make a payroll and any attorney who has never made a legitimate living in a business of their own before commentary on this proposed set of rules. It appears that the word smiths are out in full force and we are maintaining an on-going dialogue from a topic proposed in 1995, with comments in 1997 and 1999 at a time when much of the those comments are in fact irrelevant here in 2004. A more relevant discussion would be how best to separate out the business opportunity rules from the franchise rule and then close the Federal Trade Commission’s franchising division all together since no problems perceived or known currently exist. Does anyone doubt this truth?

Perhaps another example, forget about Ray Kroc, the father of franchising for a moment, let’s just say for the sake of argument that this current situation in the industry existed back then and Ray Kroc grew up an old bitter man and retired salesman? Forget that the McDonalds Big Mac is used by the International Monetary fund as a guideline for international cost of living standards in modern and developing nations. Think of the story “death of a salesman” and leave it at that. Put Ray Kroc in the same shoes as any of the current up and coming home grown entrepreneurial superstars of today, being stifled under a Tsunami of tort

law and a Hurricane of over regulation. Why can't we end this storm, why are we unwilling to see the truth at the Federal Trade Commission?

Why is it that attorney after attorney is commenting on these rules as if they have any real basis in the free market? This is this a mental masturbation of words on paper and the creation of a perfect system of law in franchising that will protect any fool, when in the end only a fool would be willing to participate in it? Over disclosure hurts franchisors allowing for leaks to competition by giving away proprietary information to competitors who may not be in the franchising industry to reciprocate such facts about their company. Such lost data hurts franchisees and puts them at an unfair disadvantage. Such over regulation condemns franchise buyers to a system so rigid it cannot be changed midstream to take advantage of changing consumer trends and desires to remain profitable and adaptable to the innovations of the future.

Let us look for another example, this one from the Detroit, Michigan Area an unlikely place for the World's most successful pizza company. Yes, we speak of Tom Monahan and Dominos Pizza, no they are not in 213 countries like McDonalds? Only 177. Tom Monahan went broke twice and filed for bankruptcy, but was able to recover and eventually create 7500 millionaires, no not the 12,500 millionaires that McDonald's created, but the 7500 were created in much less time, thanks to the trail blazers like Ray Kroc, Bob Rosenberg (Duncan Donuts) to model his system after. I remember standing with a group in Las Vegas at the annual IFA meeting at the MGM, where everyone was gathered around Mr. Rosenberg and the attorneys were making comments apropos to franchise law, Bob, just rolled his eyes and threw up his arms in gest; "Oh you guys?" he said, meaning, all these laws and rules have nothing to do with successful franchisees or running a franchise company. He did not do it by laws and rules, he did it by caring, working hard and not giving up. Franchising is a win-win situation. Could he have done what he did then, today? The reason I ask is that Krispy Kremes, with a never ending supply of capitalization just got creamed themselves recently and now the lawsuits will fly as the dough hits the ceilings, Atkins diets will take hold and people will have less fillings. KKD's CFO leaves the company, insiders tied up in class action lawsuits, what next? Well Krispy Kreme will have parties for Washington DC insiders to slow possibility of any regulatory actions. It's all a game now, so I ask could Duncan Donuts do the same thing today with all this over regulation? Do not be so quick to answer yes, think on it a bit. Think of all the unnecessary disclosure, laws, lawsuits and market forces? If you are an optimist the answer is maybe. If you are a realist, the answer is most likely not. Think about it. Is the Federal Trade Commission willing to get on the same page with reality?

All these complications of rules and the rules proposed today by the Federal Trade Commission do not help franchisors remain efficient or franchisees sell more pizza, hamburgers or donuts. Franchising is not about laws as much as delivering goods and services to people in an expeditious and efficient manner. Franchisors need to concentrate on markets and the Federal Trade Commission on trends and keeping markets free, free from barriers to entry, free from abuse of power and help maintain free flow to such markets. The FTC is not the FBC Federal Bureaucracy Creator. If the Federal Trade Commission is going to referee, that is fine and will continue to serve our nation as it was intended, but changing the rules half way through the franchise game is hurting the industry not helping it. No harm has occurred, so no fouls are needed franchising has the lowest fraud statistic rate of any industry, so low in fact that they have to create fraud and label honest franchisors fraudulent to maintain self worth of that department of the agency. The Federal Trade Commission enforcement division is simply not needed on the field running up and down the courts blowing whistles on every play. Now we have private attorneys sitting on the sidelines hooking athletes as they run for touch-downs in new evolving plays in industries never franchised before. Like a DC Sniper shooting at an executive on his way to work or like the unruly fans spitting in the face of Lance Armstrong as he nears the finish line, screaming; "Don't come back next year, give someone else a chance to win!" Free markets must remain competitive to serve the common good of the citizen, country, economy, consumer and in this case the franchise community.

How many pages do you think the UFOCs were 35 years ago for these ten-foot tall pillars of the franchising community like Kroc, Monhan and Rosenberg? Look at the modern day UFOCs now, trying to crystal ball every possible eventuality, thus putting the franchisors and franchisees into an unworkable box for fluidity of motion. If you study the competitive aspects of business in relation to war you will see that for any army to advance and win a battle or any business to attain and advance market share fluidity of motion is key. It is what one of the components that takes good companies to great and Jim Collins and company along with his Stanford research staff would agree. If companies cannot adapt fast to changing consumer trends such as Atkins or South Beach Diets and Low Carb lifestyles then the franchise systems will fail, if the documents are so tight to include every current issue in the franchised business model, then in the event of a slight change will not be able to compete and will lose market share. In war it is no different those who doubt this should read up on Carl von Clausewitz (On War), Colonel Boyd (OODA Loop Theory) and Sun Tzu (The Art of War). In war people die, in the franchising model franchisors file bankruptcy (i.e. Schlotzky's Deli last week) and franchisees lose their

investments and their American Dream. Surely the Federal Trade Commission is not so adamant about rule making simply to make rules that they will deny the truth of competitive free markets. Rules must make sense and the Federal Trade Commission should come back to Earth and live in the reality of the business world where customers vote with their dollar of their own free choice and free will. If franchise buyers (consumers) are damaged in the market place due to burdensome over disclosure and costs being passed onto them at the time of sale or thru less assistance down the road during the franchise relationship, then no one is well served and the increased rules have hurt the consumer. The new name for the Federal Trade Commission's franchise rule department will be "Forget the Consumer" or MUD. MUD might be more apropos as there is a perfect acronym "Much Unnecessary Disclosure," which would be quite fitting in this rule making exercise.

The MUD along with the lack of tort reform is killing this country and destroying all we are and all we have built like the debris left on flooded lands by Hurricane Charlie or Muddy banks of the Chesapeake and Potomac overflowing from Hurricane Isabel in DC. It often takes years for franchisors to get all full power back up to speed to the clean-up after an action by the Federal Trade Commission, whether against their company or a simple opinion effecting an industry which is franchising. These regulatory changes even if mere interpretations and opinion cause events which have unintended consequences and are rarely forgotten as one simple stroke of a pen by an Federal Trade Commission attorney who does not understand the real world of franchising can wipe out several quarters of profits. Events such as this prevent capital flow to markets and entrepreneurs from taking risks. Why would a franchisor play in a game of ever changing rules or rules which protect the weakest players so the skills of the strongest are underutilized, under appreciated and thought of as unfair competition. If franchisors leave the arena, so too will the fans, because they vote with their dollars. Minor leagues never attract the same level of fan participation. Likewise to paraphrase Vince Lombardi's most famous quote, the strongest men are attracted to the most challenging game. If the strongest players, possessing the important characteristics of; will, strength of character, vision, passion, perserverance, commitment, dedication and stick-to-it-ness leave for another industry then fewer people are served. If the game becomes so set in stone and box'ed in that new innovation cannot evolve properly then less Americans can own a business of their own, less goods and services are sold, meaning less job base and thus slower money flow which will mimic a situation of less money supply. A power as big as franchising in our economy needs encouragement, not more rules. Less rules in this case are appropriate, downsizing of the rules are a key to the bleeding list of franchisors exiting the market place. We should reduce the rules not the industry. Why are reducing

the franchising industry to dust at a time when our economy is moving to boon from bust? Attacking and diminishing the forward progression of this evolved species, call it: franchisor-kind, means the citizens as a whole get less. The government receives less tax base, the citizens less jobs, prices remain high, there is less choice and the Federal Trade Commission must cut it's budget and those employees are no longer needed.

In 1995, 1997 and 1999 when the comments were first considered and taken in, which spans a ten year period, (today being nearly 2005) when you combine those comments with this current rule making session is one heck of a long rule making period by any means. Many of the franchisors now in business were not in business back then and therefore their concerns have not been heard. Some of the franchisors have come and gone within that time frame. Some have made fortunes, one in five franchisors makes it to five years? So, many have come and gone. What actions at the Federal Trade Commission caused the pre-mature death of those companies? Could we have a mortality rate of one in three? One in five children in Africa live to five years old; dieing of malnutrition, malaria, yellow fever, dysentery? Are franchisors so burdened with the incorrect flows of law that 5:1 success rate is the norm? Why is this, shouldn't we back up and take a look at what we have built here? Franchising is the fastest way to build small businesses, provide jobs, create money flows, these rules and the way the Federal Trade Commission conducts itself provides little incentive or allows few new entrepreneurial companies to merge from the ashes to become the next Wendy's Hamburger, McDonalds, Duncan Donuts, Century 21, KFC, Dominos Pizza, Midas Muffler, etc. Why? What are we really saying here? More complicated laws slows progress of the species, to move commerce forward. Are we cutting off the hand that feeds us, poisoning the horse representing the wheels of commerce, shooting ourselves in the foot? And if so why? So a few attorneys can hijack yet another industry, playing God, yet creating nothing? Only destroying? Apparently if one were to look at the good VS. evil scenario here. The bureaucracy and lawyers are evil and the franchisors and entrepreneurs are good. I invite the Federal Trade Commission to move over to the other side, repent for their sins against humanity, jobs, economy. I invite the Federal Trade Commission to join the strong and support the capitalism concept which founded this great nation. I invite the Federal Trade Commission to walk to the back of the cave to look at the projection room, then take a gander and look outside and see the real world of franchising. A world which is not about laws and rules as much as delivering goods and services such as: Haircuts, carwashes, oil changes, janitorial services, hotel rooms, hamburgers, pizza, chicken, donuts, cars, bouquets, rental equipment and clean windows, that the Federal Trade Commission can use to look out into the real world with. Last time I checked those are only but a few of the things that franchising faithfully delivers to

American Consumers each and every day. Think about it. Rules and laws are fine, level playing fields are nice, but the customer votes with their dollar and the entrepreneur and companies can only sell what people are willing to give up that unit of trade we call a dollar for. No amount of rules and regulations will change that. You may change a few votes here and there, use some mass media scare tactics to prove it is necessary, but in the end the Federal Trade Commission will merely be reduced to the sound and fury of the general population. The Federal Trade Commission has an important choice right now to make. Either it can proceed and create more laws and rules upon those already created which will further damage consumer and company or it can, take a real philosophical approach to the real underlining issues and fix the root of the problem. The franchise rule tree needs trimming and there are several franchising companies, which can help you prune it. ServiceMaster has a whole division for tree trimming. You see there is no industry that franchising cannot streamline, create efficiencies in, provide jobs for, increase tax base from. No industry exists which cannot be fixed for such an superior species, meaning the consumers are better served as franchising moves forward. Shouldn't we stop holding it back now, now that we know that there is really no fraud to speak of?

This report did not take into consideration the many new entrants into the market as of 1999 and the failure to come up with a concrete policy before now did not take into considerations the needs of those companies which were destroyed in the interim from the over bearing rules and regulations, which has already cost American jobs and destroyed lives. There can be no forgiveness to the Federal Trade Commission for the devastation it has caused in the franchising arena, there are no words good enough to be spoken or written for such atrocities. I can personally name 30 franchisees who lost everything due to the attack on our company from the Federal Trade Commission. Thirty individual families that the Federal Trade Commission caused financial ruin too. Why? So the Federal Trade Commission can prove self worth? Additional Budgetary increases for next year. So a 26 year old attorney can make a name for himself, so concerned to win a case, willing manipulate data? So the head of the Federal Trade Commission Franchise Rule Division can make a statement in a speech: "We are going after our first Internet Franchise Case" talking to a group of attorneys in franchising, he may so very much like to join some day in private practice? Is this the best the Federal Trade Commission can do? Well, is it? We are to call this justice? If this is justice at the Federal Trade Commission then Justice no longer exists there. Did it ever? Has justice ever really existed at the Federal Trade Commission, has it always been so blatantly fraudulent in it's activities. Is this the Martha Stewart enforcement scenario, lying under oath or penalty of perjury to attempt to prove someone else has lied? Is this all it really is? I hereby question the motivation, person character and ethics of any and all

persons working in that agency. I would appreciate a full internal review of this issue. Do Federal Trade Commission employees go thru a background check like other law enforcement agencies? Shouldn't they? In this report it lists the Federal Trade Commission's law enforcement actions. How many people at the Federal Trade Commission are breaking other laws? Abuse of power, unpaid parking tickets, sodomy, reading the newspaper or talking on a cell phone while driving here in DC? This should be fully disclosed and since the Federal Trade Commission deals with the franchising industry which accounts for 1/3 of every consumer dollar spent in our country, such a vital sector we need to have greater scrutiny over the employees who work there than a simple background check. One mistake at the Federal Trade Commission, one bad piece of legislation and 1,000's of people can be out of work the next week. The Federal Trade Commission claims it wants justice, no sir, I want justice for the entrepreneur who merely creates every single thing you see, everywhere you go in our civilization. We want justice.

After discussing this in my letter, will the Federal Trade Commission even print this in their list of comments? Will they take responsibility for the 30 families, franchisees, their consumers, which they have destroyed in our franchise company? How will they take responsibility for this? An apology letter, well we have not even seen that? Most of us believe in the Federal Trade Commission's original mission, although having seen the truth and reality of the Federal Trade Commission's ten-year delay here and the way they conduct themselves, do we really need the franchise rule at all? Do we even need the Federal Trade Commission involved in a business model they clearly do not understand, which is so vital to our Gross Domestic Product? Shouldn't the Federal Trade Commission franchise division have a business library on franchising the size of any franchisor? Shouldn't they have to intern at a franchise company before working in that cushy job, which will most likely land them a much higher paying job in the private sector later on? Are they competent enough to do the job? Well, what say you? China has often called our government the paper tiger? What should we call the Federal Trade Commission with regards to franchising? It appears to be based on borderline incompetence, from my personal observation. It is as if the entire agency is really fake and does nothing, pretends to help the consumer, yet crushes them at every corner. Perhaps the Federal Trade Commission needs the five point safety harness seatbelt not the industry. Who watches over their endeavors? Do they have absolute free reign on everything without regards to their actions? If so, no wonder such abuses of power go on? Who is running the ship over there? Truth, Justice and the American Way, cannot exist when the Federal Trade Commission is able to unilaterally increase franchise regulations, without the knowledge of the evolution of franchising model. It is like an untrained doctor operating on

another species. The problem is not in the franchising industry, the problem is with the over regulation of the industry. Making more rules, makes more lawsuits, case law and needs of further definitions and then more rules and regulations and job security for those unfit to lead. Enough already. The true leader in the marketplace is the entrepreneur, not the lawyers and certainly not the regulators. It is incredible that these entire sets of discussions and comments spanning 10-years on this rule are being made by attorneys, who gain financially from the rules and the regulators who have never been in business before, probably never even worked in franchise corporation or owned a franchise outlet? Franchisors have not the time deal with these issues. And they know they cannot trust the government agencies to listen to their comments. For instance I have given you insight to the real issues here, yet my voice is unheard and drowned out by attorneys who are special commenters because they practice law? Yet the actual problem here is the attorneys in the industry, therefore they should be barred from comment as their comments are too self-serving. Dah! Obviously, so obvious it should not even need to be pointed out. We need to down size the rules, simplify them or eradicate them all together. If we are looking to make a huge positive change for the betterment of all civilization, this would be the best tact to take. These runaway rules, opinions, regulations, lawsuits and ever increasing case law created are clearly choking the life blood out of franchising and destroying the possibilities for economic vitality in the future.

This report asks to comment on only certain aspects of franchising which were addressed between 1995 to 1999, therefore some changes or elimination of rule which should occur has no place for comment at all. Thus this exercise is completely flawed if it's goal is to bring the franchise rule up to date with consideration to the newest technologies of today, today being the eve of 2005. When Bush is re-elected it is quite conceivable that there will be a huge downsizing in government and the expanding market will pick up those who are willing to put in an honest days work in the real world. So, then we need to look at simplifying the process to run more efficiently at the Federal Trade Commission with fewer people, since they will be out on the street. The easiest way to do this is to make the rules simple for less unnecessary opinions, case filings and regulatory oversight at the Federal Trade Commission, since there are other more important things to work on.

If Kerry were to be elected there is no doubt that larger businesses would call for more domestic and international protection of their markets and less regulation, thus more exemptions for larger corporations. The comments in this report reflecting million dollar accredited investors or sophisticated and knowledgeable investors would be very apropos to a Kerry Administration judging by his

senatorial voting record. This would also mean these rules we are discussing now will continue into the next period in a political climate calling for less regulation not more. Either way the near future trend will be less government spending and less regulation. The country cannot survive and prosper borrowing two-billion dollars per week with consumer and capital money flows out of the country at this rate due to greener pastures for manufacturing, outsourcing and investment for relief from over regulation and future unanticipated taxation. The Federal Trade Commission has no business meddling with the franchising industry as there are no real issues in franchising of any significance hurting consumers. John Edwards if he were to become the Vice President might like to see more trail lawyer suits to command presence and there would be a switch from government control of law or referee scenarios of the game to controlling by private right of action. The Federal Trade Commission's job then might be more aligned to this present way of doing things here in this report. Taking advice from outside attorneys who wish to use the government to manipulate laws making more lawsuits possible and continued higher awards which is where the Federal Trade Commission in this rule making endeavor is taking us now. This is of course a disaster for the battle scared war veterans of the last two decades in franchising. The Federal Trade Commission ought set themselves up to handle the change in the political climate of the next four years and be ready to downsize and focus their efforts where they are needed. (i.e. Identity theft, SPAM, Special Interest Groups prostituting free markets as warned by Adam Smith). And may I point out before over burden our own American Businesses that South Korea is now the largest country of origin of SPAM and yet they have instituted a Franchise Law there? Likewise China, Brazil, Hong Kong the numbers 4,5,6 for SPAM have increased franchise laws for American Companies here yet we appease them as we receive all their SPAM? We sure are an interesting country as we over regulate our own, yet allow questionable trade practices from all over the world?

The Federal Trade Commission ought to re-consider all these potential rule changes and advise from attorneys in the industry, which might hire Federal Trade Commission staff in the future. There should be noted all those who commented and got their wishes and where Federal Trade Commission staff chooses to work in the future. Any Federal Trade Commission staff, attorney going to such law firms ought to be fined, imprisoned and have their pensions immediately revoked, or in a more perfect world simply shot for treason against the country. We seem to have a complete double standard here, which is quite obvious from anyone on the outside looking in. Government must be held completely accountable for their actions, abuses of power and should be jailed, made example of in the media or shot for treason, if we are to have a fair system. Any referee who purposely calls foul of a team, which has not broken the rules

should be discharged with out monetary consideration from the current game and barred from ever playing in any game, related industry or admission to the hall of fame.

In this report it is safe to say that there is quite a lot of rear end kissing and beating around the bush pre-comments from the attorney based commenters. It is done under the disguise of professionalism, however I believe this type of chit chat in the comments should not be made as it gives the Federal trade Commission a false sense of stardom and importance in their endeavors. It is safe to say that the current direction of these comments and this report is traveling in the wrong direction, trying to band aide an ill conceived and now out of date set of rules for the franchising industry. If the ftc allows this rhetoric to provide a false sense of self confidence in their abilities and those involved in these comments with a un-deserved inflated ego, then we will most likely see a real problem on the field with referees making up rules while the game is still in play and blowing whistles on perception of rule rather than rule of law. Such chaos spoils the most competitive games and strips deserving athletes of their metals and gives medals to the lesser and undeserving. Free Markets are for the strong, leave the ego's to the entrepreneurs, there is no place for ego at the Federal Trade Commission. If one has to act out in such a way, go get a real job, or take up men's basketball, soccer or baseball on your own time. We must hold the Federal trade Commission accountable to capitalism in the purest sense, for this is not a socialist country, no matter what those in the belt way are led to believe within their skewed belief system.

Thank you for allowing me to comment on the first full paragraph of your report just prior to the "background section." Congratulations on finishing this report after 10-years just in time to meet deadline of the 90-year anniversary of the Agency? It seems false and misleading to advertise and celebrate a successful run at the FTC, when looking at this delay, although not too surprising as per my personal observation and experience with the agency.

In summary, I am not asking the Federal Trade Commission to "go to hell," I am merely suggesting that "Y'All wake up!" over there and not only rely on solely private sector attorney comments from 5-years and 10-years ago to help you arrive at a positive win/win situation in the franchising rule for all concerned out here.

Serious as a heart attack,

Lance Winslow

Lance Winslow
Founder
Wash Guys



From: Lance Winslow
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November 1, 2004

By Email; Tracking IP number into GrayWolf System with electronic receipt.

Office of the Secretary
Federal Trade Commission
Secretary, Federal Trade Commission, Room H-159 (Annex W)
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Public Comment: “Franchise Rule Staff Report RF511003”

Re: DISCLOSURE REQUIREMENTS AND PROHIBITIONS
CONCERNING FRANCHISING
Staff Report to the Federal Trade Commission and
Proposed Revised Trade Regulation Rule (16 CFR Part 436)

Comment on the Use of the words “Cost-Effective” when discussing the current Franchise Disclosure Documents.

Dear Sirs,

I first would like to formally announce that I will forgo the niceties and compliments that so often accompany letters to the Federal Trade Commission, I do not believe they are deserved, I sincerely hope the Commission understands

the absurdity of the bureaucracy they create and purport as Justice. I believe professionalism and respect must be earned, I do not feel the commission has ever earned that, nor do I believe they are capable of earning such respect after 15 years of studying the Franchising Division of the Federal Trade Commission. In my opinion and the opinions herein, believe that the Federal Trade Commission's Franchising Division Efforts to the common good of America would better be classified as far closer to International Terrorism than anything resembling Truth, Justice or the American Way or the contrived notion of supporting free markets.

I wish to comment in this letter on the Federal Trade Commission's justification for further rule making in franchising and specifically in this letter on a comment made, found on page 21 of the report concerning "**Cost-Effective**" nature of the disclosure documents themselves. My comments come from many different directions and the costs associated with them. Including over all costs to the country as a whole in economic factors such as; Tax Base Loss, Lack of Job Creation, Stifling of Innovation and cumulative effects of over disclosure, which I will show is currently in play within the Franchise Rule. Also in this discussion I will prove that there are real costs to franchisors in printing, ability to deliver, loss of proprietary information to competition, preparation, registration and up keep of these disclosures. I will also touch on the fact that all costs associated to the disclosure process and rules are passed on to the very consumer we are supposedly are trying to help, thus making a franchise purchase harder, less inviting and often unattainable. Since everything effects everything else, much of the information is repeated when one item or problem of contention is presented and carried forward to see the cause and effect and actual or add-on costs and there effects. In the end I will show through documented real world reality based reasoning and observation and you will see that there is absolutely, positively no possible way in which anyone might conclude that this current franchise rule and the 200 plus pages of disclosure which are now required to stay within the bounds of compliance are necessary or in any way **Cost-Effective**.

Please read through this discussion as if a conversation where one party has been taken out and we are left with a monologue as the other debater is missing. Assume that debater is the compilation of arguments presented and only existing in the 432 page, 10-year late report of the Federal Trade Commission' Franchise Rule, for it does not exist in reality or in any way lend itself to any sort of modern day economic theory of free markets, free men, the rights of men and created corporate entities to free contract. The discussion in the Federal Trade Commission report is a discussion of mental masturbation between attorneys who make a living suing and collecting money from those who produce, the entrepreneurs. This discussion, debate and condemnation of over regulation and those who create such situations comes directly from the mind of an entrepreneur who is often not heard, yet creates, builds and toils in blood, sweat and tears to make available all that we see every where we go in our civilization. Since this side of the debate comes from the mind and rants of an entrepreneur furious with the

treatment, bad policies, outrageous regulations, over-lawyered industry, there is no sugar coating here. It is as Jack Welch might say “from the gut.” It is important to hear the other side as all too often government agencies only hear from the so-called professional side, that of lawyers, who have hijacked the law. Until a balance is reached and a reality based set of rules put in place the franchising industry will continue to be stifled and America cannot receive her true potential, some might say franchising is fine. I say it is the world’s greatest business model and could be ten-fold and we are squandering it like fools in this country. We need to open the eyes of the regulators to see what is really going on out there and how this trend is killing our economy. So, read and think about it and perhaps you will be enlightened as to a bigger picture of cause and effect of these insane disclosure regulations (they are completely nuts and it is not just in this industry we have runaway disclosure laws and rules). It is time to tighten up the regs and in doing so deleting much, if not all of the current disclosure now required. I propose that the leading thinkers at the FTC, along with some entrepreneurs sit down with a bunch of red magic markers and go line by line through these regulations and delete as much as humanly possible. I have been involved in such “Red Magic Marker Committees” and they work, and create a renaissance of hope for entrepreneurs and the flow of capital follows, it is truly an inspiring awe to see it take-off, the franchising industry needs that, now more than ever. Reduce the over disclosure requirements.

Now then, on page 21 of the report it states the following:

“The commenters maintained that pre-sale disclosure is a cost-effective way to provide material information to prospective franchisees so they can assess the costs, benefits, and potential financial risks involved in entering into a franchise relationship. In particular, pre-sale disclosure enables prospective franchisees to investigate the franchise offering by providing information that is not readily available, such as the franchisor’s litigation history and franchisee failure rates.” 17

I believe this to be a falsehood and misrepresentation of the actual facts in modern day franchising. One must take into consideration the costs to prepare such documents in the first place. The average total costs to prepare a set of franchise disclosure documents is \$25,000 -35,000 and if you read the ABA Forum franchise attorneys this month are up in arms that someone, anyone other than a Franchise Attorney might prepare such documents. They are also upset that anyone might possibly give advice to a franchisor other than an attorney, so much so that they continually lobby many franchise registration states to come down hard on those who might say something that could possibly be construed as “Practicing Law without a License” effectively meaning that little competition exists in franchise disclosure packaging with anyone other than a Lawyer. Thus there is no competition in the for such services and the lawyers in fact can continue through extortion and hi-jacking of the law in this regard. Lack of

competition means higher costs, meaning we are moving away from anything that has ever resembled cost-effective into the category of 'highway robbery'. The fact of the matter is that if the disclosure documents are Really and Truly to help the consumer, then they should be very simple and not create barriers to entry for new franchisors who are forced to pay these exorbitant costs. Further, new franchisors are led to believe they must rely on what is often, bad advice of lawyers and are scared into believing that the lawyers understand business, who clearly give advice on matters of management, hiring, cash flow and other things they are not qualified to give, yet at the same time condemn Accountants and CPAs for giving advice on the best corporate structures, meanwhile the government in their own definitions of such often give advice in brochures and pamphlets to help consumers. In addition new franchisors have a very tough time finding most of the important forms required by the government to be filed and the only place to get them is at an attorneys office. It is obvious why many entrepreneurs just say "well, all lawyers should be shot" yes a rather harsh statement especially considering all of us have lawyers in our families, when using this as an argument, entrepreneurs often say; "well you get rid of the ones in your family and we will sacrifice the ones in ours." Why all the animosity? Well this rule making session is a perfect example, most everyone commenting is a lawyer or has a lawyer commenting for them? The laws are therefore for the lawyers not the people, entrepreneur or betterment of the all, as they are intended to be. Attorneys in general are the most self-serving profession on this planet, which stifles our Capitalistic System at every corner, since no one can debate that comment, we will move onto the next.

There is nothing inexpensive or **"cost-effective"** about the 190 to 230 pages of disclosures that franchisors must give to prospective franchisees. Anyone purporting such misrepresentations does so either for personal gain (Lawyer) or out of spite against franchisors due to a misunderstanding of what the franchising model is or how it works.

We see in many industries, for instance real estate, where laws, case laws, regulations have made a simple house purchase turn into a series of forms no less than 400 pages, (it may not look as big in 10pt font and double sided, but it is) and just short of the number of pages in this Federal Trade Commission report. What does all this mean? It means we have further complicated the original reason for such disclosures to the point of absurdity, where each side is so busy trying to CYA, in case of frivolous lawsuits that each side believes they have the right to be irresponsible in their business practices and have no need to fulfill their promises because there is a clause in the contracts and disclosures giving them a way out and behind that way out a lawyer who will be glad to make 2+2 equal 50 if you so desire and have paid the retainer. It is all a crock, everyone in franchising knows it, no one is willing to say it and the Federal Trade Commission is so busy having meetings with lawyers that they forgot about the original consumer who is not helped in the least by over disclosure as the costs that the franchisors pay in the exorbitant fees to prepare the disclosure documents are passed onto the very consumer that the Federal Trade Commission is claiming they protect. It is total BS to say that such over disclosure helps consumers at all. Just a lie, an excuse

for further rule making and minutia piling (BS). Simply helping lawyers to that which they did not earn and do not deserve.

While some might contend that franchise disclosure give vital and pertinent material information to prospective franchisees, such over disclosure hurts that very prospective franchisee if they buy the franchise and become a consumer of franchisor. The extra costs passed on to the consumer are not the only issues to be concerned with, there is also much proprietary information of the franchisor which is in such documents, information such as:

Number of Units expected to be established in the future in various states, Complete set of audited books, complete business structure, name and address and phones numbers of franchisees, often earnings claims which show unit performance by region, etc. all this information makes it really easy for competition to track and crush the fledgling franchisees by establishing stores in those regions and competing with all that information. Information that non-franchised competition does not disclose as they are not regulated in such a manner. This further un-levels the playing field for the franchisee unit and could cause them to go out of business. Thank you FTC. You fine folks at the FTC- "Forgot The Consumer" Again !!! How is it that no one understands this? I see no attorneys discussing these things in their comments? Why? Because the attorneys do not understand the market place and really have no business commenting on the proposed franchise rule changes as they are the ones who have made the modern day franchise model highly unworkable. The biggest issue now in America is how can small businesses compete with the larger Box Stores? Well, through economies of scale, small business co-ops and franchising. But if franchising is inhibited in the market place you have in fact eliminated the competition of the giant corporate box stores. Yet small business employs over 70% of our economy. So further regulations on franchising and incessant over disclosure (190-230 page UFOCs) doesn't help anyone as it causes the following;

Over Disclosure creates barriers to entry into the franchising field for franchisors, who have a mortality rate of 5:1 in the first five years already, yet the Federal Trade Commission claims to be pro-competition? BS, it is total protectionism, helping larger corporations against entrepreneurship. If no new industries get a foothold the older industries like text tiles, mining, steel slowly dwindle with no new venues to buy up or expand into. Without new industries starting and with old ones maturing and dying we cannot have a healthy economy. The \$25-35K to prepare documents and the \$20K to stay registered in Franchise Registration states and the \$45K for yearly audits does not allow for future Ray Kroc, built from scratch entrepreneurs. They cannot succeed, build and continue, even well financed ones have issues.

Over Disclosure decreases jobs in the private sector due to fewer new entrants. Forcing lower wages in box stores and further diminishing the middle class, whose buying power is supporting the whole world's economies and helping new nations realize freedoms and human rights.

Over Disclosure decreases tax base; Less Jobs and commerce mean less tax base for government agencies meaning the Federal Trade Commission has less budget (Ah ha, finally good news, at least all this over regulations will help reduce government bureaucracy as you people at the Federal Trade Commission will no longer have jobs, great you do not deserve them!).

Over Disclosure decreases competition in the market place and reduces consumer choice. Forcing people to buy a one sizes fits all product lines, which is most likely made outside the US.

Over Disclosure destroys communities as individual franchised units are small businesses which support communities, where as large corporate stores often do not join local committees, service clubs, make donations, or participate in local events, chambers of commerce and support local sports teams like soccer, little league, high school bands and Boy Scouts (Oh, whoops, I am not allowed to say that as some people at the Federal Trade Commission do not like Boy Scouts because of their personal sexual preferences, instead wish to hold that against the kids, so strike the American Apple Pie example of the Boy Scouts, we do not want to hurt anyone's feeling?). Large Corporations during down economic times are the first to cut such things from their budgets if in fact they have such programs at all. Some do, but comparatively speaking not as large a percentage of gross sales as small businesses which most franchised outlets are.

Over Disclosure hurts those who wish to own a business of their own as part of their American Dream because franchisors have to raise fees and therefore fewer Americans will qualify to buy franchises. It is the same scenario as home ownership for young couples, raise the price of the house a few thousand dollars or the interests rates a couple of points and all of a sudden the dream vanishes as they cannot qualify. In the case of franchisors that savings to the buyer, that extra money would have went to attorneys, yet these lawyers have hyper-inflated the costs associated with franchising and cannot seem to understand why franchise litigation and legal services are not as good as days gone by? Well it is quite simple. There were 6000 franchisors in the 80's, less than 2000 active today. Ever ask yourself why? Over regulation, lawsuits and a complete misunderstanding of how franchises work by state registration departments and those fine folks in government over at the Federal Trade Commission who are so easily manipulated by lawyers.

In fact there is only one group in the entire world who is well served by over regulation and that is the lawyers, that self-serving group who actively manipulates the rules in franchising. The Federal Trade Commission is obviously in bed with the lawyers and we know that most of Federal Trade Commission employees in the franchising division will go on to work for the very law firms making comments on this rule. How perfect is that? Wonderful, well for everyone except the:

- Consumer
- Citizens
- Country
- Franchisors
- Franchisees
- Economy
- Entrepreneurs
- Free Market

In the paragraph above we see the first sentence states that this current method is **“cost-effective?”** What on God’s Earth are you talking about? How can you purport that as truth? That is a farce indeed. For instance the printing costs alone do not show anything in the way of cost-effectiveness. Printing costs are the real costs after the preparation costs of 25-35k, not including the registration costs and on-going changes which are made every time another brilliant judge in some Kangaroo Court wants to make a statement triggering additional case law and therefore new clauses in our UFOCs. The whole thing is just a complete joke really. Yet no one says anything, because if you complain about it, you are “Unprofessional” instead franchisors are to simply accept this and pardon the figure of speech “bend over and take it like a man” from the parasites of the regulators and the terrorists and extortionists of the lawyers. (CYA- this is personal opinion, using common phrases and figures of speech, well know in the entrepreneurial sector- those noble innovators who provide and build everything you see, every where you go, anywhere you live and everything you buy).

Cost to print UFOCs.

What is the real cost. I’ll through out the number \$4.65 to print a UFOC, and most franchisors do not print just one at a time, we print 50 or so at time, some franchisors print 250 – 500 at a time due to the number of potential inquiries. These are 1998 costs, generally UFOCs have gotten bigger since then as lawyers have further put a strangle hold on the industry and without some tort-reform. I imagine they will continue to bulge at the seams as we add more pages due to this Federal Trade Commission future ruling. Many UFOCs never get used because there is always new case law showing up on the ABA Forum on franchising and so we are constantly modifying them. It makes it hard to lead a franchise company when all the agreements are somewhat different to CYA yourself from the changes caused by litigation in the private sector, apparently franchising has joined the ranks of mold, ADA law, employment law, sexual harassment, wrongful death as a good way to make easy money for lawyers? Think about it, spilt hot coffee, the hamburgers made me too fat, forgot to disclose or mention your dog’s name when you were five years old and suddenly and magically a lawsuit. We made 22 changes in the 2002 UFOC for the state of CA for renewal. We had about 10 left over, which became invalid and were be tossed out as the new redlined copy becomes the latest CA version. So really we had \$46.50 in throw-aways, and that is just CA, one state. Remember we have 12 viable registration states. So multiply that times twelve and a yearly occurrence. And large franchisors are probably stuck with 10 times

that number. Especially those who print 50 or more copies and deliver them to master franchises, who are told to throw them all out and start over every time some new case law shows up or a state registration renewal comes due. Cal-if-forn-ia is not the only registration state, just the most ridiculous one, you would swear that the Liberal crowd in Boston, MerryLand and NY are trying to become close runners up by the proposed franchise legislation and the insanity of their registration requirements. Someone really needs to talk to those folks about what capitalism is, how it works and what is meant by free markets. Any and all UFOCs, which were printed as of this date will most likely be thrown out due to law and rule changes, case law and future possible rule changes here at the Federal Trade Commission. I have talked with some larger franchisors, who claim a \$500,000 per year budget in printing. Yah sure, like that is somehow "Cost-effective?" Of course the way government throws around and wastes money, apparently they believe money grows on trees just like the ones that are cut down to print all this over disclosure. May I ask what happened to the Paper Work Reduction Act? The idea behind it is to streamline, not pass on the problem to the private sector.

If this rule is passed because everyone will have to add clauses that state; even though we offered you a franchise with the delivering of offering, we reserve the right to change our minds and refuse to sell you a franchise, so technically you have UFOC but we did not offer you anything yet. And then there will be a suit and new case law until that issue is rectified. Again more waste. Very similar to the employment law folders and binders that we have to maintain and the application forms that are constantly changing, which have to be different in each and everyone one of the 50 states. What a waste of money. We had figured if we gave a UFOC to everyone who inquired online about our company the cost would be in those 2002 figures approximately \$37,000 per year expense, which is conservative in the actual calculation. That is about 4,600 or so UFOCs, not quite 48 stories high and that is at previous cost figures and we are a small franchisor the larger ones are ten times as big and ten times that cost. None of which is cost-effective.

Now mind you I realize that if you stack every page of OSHA laws on top of one another it is 56 stories, so the Federal Trade Commission workers do not see a problem with a mere 48 stories of UFOCs, but I do. Are you kidding me? You want me to print 48 stories of paper documents. Please enlighten me as to how again these UFOCs are so "COST-EFFECTIVE?" Remember we are little franchisor comparatively speaking. The actual printing costs are over \$24,000 without the postage. And don't tell me you want me to email these documents they take up 2.1 megabits. Are you paying for the bandwidth? And do you really think your good friends at AOL (that lobbied you to attack Bill Gate's because they were running out of room to hype their inferior products) are going to appreciate this. Are the consumers you are helping by tying up their email and crashing their system as they wait for half an hour (if they are still on dial-up) to download their emails that day really going to be saved? Is this helping them? The reason I bring this up is part of the mission statement of this report is that the Federal Trade Commission wants to upgrade the UFOC to reflect the new technologies. Then in the future it makes sense to email the documents, probably in an

RTF or a PDF file or if to Europe a DiVu file (LizardTech DiVu files similar to the Adobe Acrobat Reader PDF files). And do you really believe a franchise buyer (a real one) is going to want to continue discussions with various franchisors and compare them when every one of the franchisors sent them an email bomb? After all people are frustrated enough with the 3000% increase in SPAM since the time the Federal Trade Commission decided it would look into the issue. Lots of grandstanding on the SPAM thing, lots of glorified media event cases, but the fact is the Federal Trade Commission has failed to reduce SPAM and today I got 1633 SPAMs.

One technological solution is to burn CD ROMs with disclosure documents on them, yet, they would end up in the trash too like all those AOL CD ROMS and Floppy Discs they mailed out, although one person told me that the CD ROMS make utencils, just put a pencil thru the center and use them for a pizza cutter? The fact is the way things are now you are constantly changing things so much that burning CD ROMS may save a little cost and a the trees but we have the same problems with discards.

Another technological solution was to use the web, yet many franchisors are forced to have different UFOCs based on state. Type of franchised unit and the matrix gets so complicated you have to hire a certified XML data base IT Professional, which are all busy working for government contractors right now trying to sort through the absolute mess created by the same government agencies which put the private sector in a state of disrepair. Not to mention the DHS, military and there needs. So that solution is not a short or long term solution. Registration States would like to put all this online further disseminating proprietary information to anyone coming to their websites, mostly lawyers and competitors although perhaps some students doing research, buyer here and there and an occasional International Terrorist looking for targets and ways to infiltrate infrastructure, food distribution or cause general fear.

I would like to see some progress at the Federal Trade Commission, but real progress based on reality solutions, today we see a decrease in the number of franchisors out there and that is in direct correlation to the expanding economy, yet slower job growth. I think I can feel safe to add from personal observations and economic study that the Federal Trade Commission franchising division is the reason for the slower than normal job growth during this record breaking expansion period. It is truly in my opinion the Federal Trade Commission Franchising Divisions fault. After all franchising represents 350,000 plus outlets (business which employ real people) and the franchising sector is moving at a slower rate comparatively. It is not that the franchising model is dead, for it is by far the best business model ever created in the history of modern civilization. Clearly franchising has withstood the test of time, no the reason is that it is stifled by the Federal Trade Commission and their grandstanding to promote themselves claiming they are curbing fraud where by the Federal Trade Commission's own accounts there is literally no fraud to speak of in an industry which represents over 33% of every consumer dollar spent in America. Well then reduce regulations, disclosure and paperwork.

If the Federal Trade Commission wants to make UFOC information available electronically through email to catch up with the newest technologies then it will get complaints and make up another rule saying no unsolicited UFOC maybe sent through email. The franchisors will have to document who emailed them and asked for information. Yet one cannot document incoming emails, because people use free-mail accounts and disguise their identity, even the Federal Trade Commission does this when phising for information about franchisor targets they wish to entrap, usually based on a letter from an attorney or a fake complaint coming from a competitor disguised as a consumer coming into the FTC's website.

The FTC is likely to look at electronic distribution through websites rather than emailing the disclosure documents. And then who is paying to keep it updated and which one do you put up if there are 12 registration states, multiple Canadian Provinces, notification states and the Federal Trade Commission version, all different. And web people last time I checked still do not work for free yet. So where as it might be theoretically cost effective and save trees (less paperwork) it will cost more in enhanced IT expenditures and web-services. Right now we see the US Government and the US military with their own needs and many of those who would work for franchisors in this regard are working elsewhere thus the supply and demand of such technological folks is dried up and the cost is through the roof. You are making a rules that will hurt the consumer and trees. All this as previously stated above cannot be considered **“Cost-Effective.”**

Most workers at the Federal Trade Commission, I have heard rumors at the Starbucks across the street, are quite liberal and even consider themselves in the Tree Huggers camp. Either you are for America, trees, consumers and free enterprise or you are for continuing this crazy tact in enacting more inane rules. Whose team is the Federal Trade Commission Franchising Division on anyway, well we know that it is safe to assume they are on the lawyers side, after all many are lawyers, aspire to be lawyers or cannot wait for the day they can get out and MoveOn into a cushy job with a private law firm.

Rules simply to make rules, with no real goal in mind and no end to the upcoming rules this will add in the future, provides no end game or solution. Perhaps the Federal Trade Commission wishes to fund the rule by paying every franchisor \$37K or their estimated cost to print these documents for the next year or perhaps the Federal Trade Commission could contact the IRS for a tax credit on all money spent in UFOC printing as long as it was through a bonifide franchised print shop? Perhaps the Federal Trade Commission might start a “Shred It” franchise so they can recycle all the unused UFOCs, which will now have to be thrown out if this rule is enacted? Maybe they can make a paper me shay tree in the lunch room to worship as their new pagan god or make it into Christmas Tree and place under it new rules and regulations thus providing the gift of perpetual job security?

Competitors seeking information about companies.

We have done extremely well on the Internet in attracting people who want their car washed, we are well spidered on the search engines for key words, partly because our websites have been up prior to 1995. We therefore get a high number of website visits or hits. Many times people in the market sector of car washing will come to our site after searching the words that categorize their industry. They look through our site and then they find the opportunities page, and think to themselves, hmmm? These competitors then fill out the online form without revealing they are already in the business and actually competitors. The FTC's online complaint form also draws many such people to file complaints; few are of these folks represent legitimate grievances. In the case of our company, The Car Wash Guys, like Ray Kroc who never sold franchises to those previously in the restaurant business, we will not sell to those in the car wash business. We believe that they have ingrained in themselves their way of doing things, which is incompatible with our system and methods and of course we feel are quite inferior to our business plan developed over 27 years. Had such competitors been as well developed they would be franchising as well. These competitors ask us questions thinking they can copy some of our idea, so they call up, email, and start asking questions. Sometimes about five minutes into such a conversation we often know they are not real, but not always. They are too knowledgeable about the industry and they usually slip up in one of their questions or just have to tell us how great they are and how many cars they are watching, thus giving themselves away.

The Car Wash Guys like many franchising companies are in a really ugly and highly competitive industry, almost as bad as the garbage business before the massive consolidation by Wayne Hiezenga or trucking prior to the days of de-regulation. Luckily that comes with intense egos from independents and not a whole lot of smarts. Why should The Car Wash Guys send out a UFOC to a possible competitor when the UFOC they receive could be copied and a few changes made and potentially save them \$35,000 in legal fees and take away from a practicing attorney (who pretend to work their butt off, when paralegals do all the work and they use CD ROMs and Boiler plate clauses). These attorneys often claim to be decent and hard-working professionals on the ABA Franchising Forum as they try to put a lock on their industry from those who might advise in a similar capacity?

The UFOCs cost to send it out is just about \$8.00 (including postage) and if those competitors realized I had to send them out they would have every one of the industry's 19,000 tunnel car wash owners across the country email us. So what is \$8.00 times 19,000. Oh and there are about 35,000 estimated coin-op car washes too all of which are direct or indirect competitors of the Car Wash Guys (the only mobile car wash franchisor in the country). The UFOC contains estimated number of projected units and all kinds of information we do not want out. We are not a public company and until we know who is asking we prefer to keep our information close to the vest, as the competitive markets are not the level playing field we are led to believe as we study business in our educational institutions. Too bad the Federal Trade Commission cannot see this obvious fact. By keeping information secret we protect our current franchisee

team members (consumers) from lose lips sink ships syndrome. Why add competitive disadvantage in the market place to our team against competitors we should not have to disclose information since they are independent businesses.

The Federal Trade Commission fails to understand the extreme competitiveness of the marketplace, they fail to see how this hurts individual franchised units, who are small business people and the Federal Trade Commission fails to see how these independent franchised outlets of the franchisor are actually the same consumer they purport to protect. Therefore the logic that the incessant and unnecessary and totally over regulated and required disclosure is a bogus notion indeed. The Car Wash Guys do a disservice and can cause hurtful competition to our franchisees if we divulge information that easily. There is more information about our company in those 190-230 pages of the UFOC and attachments than on my personal computer or in my wallet. A person could go thru my trash, car jack me and steal my wallet, with one of our company laptops inside and still have less information than is now required by the current UFOC. The Federal Trade Commission purportedly cares about identity theft, yet demands personal information about myself, my employees and current franchises in a disclosure document that any one can get their hands on, even Osama Bin Laden? Who is the real terrorist? Is it government's job to help destroy franchising and all franchise systems? Then may I ask, who the Federal Trade Commission's franchising division will manage and regulate in the future when no one franchises anymore? When they admit they are destroying franchising to save it from the Domino Effect of the Evil Fraudsters. Is this 'my lie'? No it is the truth. Why are we burning down our global villages.

There were only an estimated 1800 active franchisors in this country at the end of 2002, that number down from 6000 in a single decade. It is not hard from this effort to increase regulations to see why. I believe the Federal Trade Commission's franchising expenditures should be cut by the same rate of decline after all they caused it. Why is the Federal Trade Commission favoring one business model over another, actually the franchising model lowers prices to consumers through economies of scale, efficiency of operations and competition. Any and all increased regulation over the franchising business model is a clear sign that the Federal Trade Commission is titling the field for the larger corporate box store and by doing so is hurting our country, decreasing competition in the market place and decreases choices for forward advancement of every citizen who wants to have a fulfilled life and a meaningful job. Shame on you, FTC. What an insidious consequence of this rule-making group at the Federal Trade Commission? Such a small group gets to decide the fate of hundreds of thousands of American workers and the destiny's of thousands of America's future bright star entrepreneurs and innovators. If this whole process is not evil, then I cannot even imagine what is?

Franchising accounts for one third of every consumer dollar spent in the US. How can the Federal Trade Commission go against the clear choice of the consumer who votes with their dollars every single day, day in and day out for franchising. Franchising has

standards of operation and consumers know what they are getting, and collectively they have worked harder and achieved more than their independent counterparts towards this goal. The consumers have voted for franchising and now the Federal Trade Commission wants to recount CHADS and require franchisors to give information to any one who asks even if that person is misrepresenting themselves. Yet at the same time we have “know your customer laws” and on the other hand privacy rights and things you cannot ask, yet all the while requiring more disclosure of information which is private? Can anyone see that this patchwork of bad legislation, over disclosure, case law and regulations is sinking the best of what America has to offer? Step back and look at this mess? It is not reality based it is some ingenious scheme to steal from American Innovation and Free Markets in some contrived or perceived reality which represents nothing. Franchising exists in Western Culture and was created here, because it is a win-win. If the franchisee wins the franchisor wins and vice-versa, now we have created nice little boxes with definitions where no one wins except the lawyers, who have never created or built anything. Through trickery the regulatory bodies somehow believe they are doing the right thing, because a lawyer told them so? Wow, since when has a lawyer ever known any reality except words on paper and manipulation of reality into some mangled word-smithing of self serving propaganda? Please state the exact year, date, court and citation number of when you believe an honest attorney uttered a word of truth?

And before you say I am off base on these comments, let me tell you that 20% of every single inquiry to buy our franchise comes from a competitor. That’s right 20%. So with 70% misrepresenting themselves on applications and 20% being competitors, that leaves 10%. Only one in ten is actually a possibility of becoming a franchise buyer and then they have to like us. One in ten is not a good ratio. That would mean out of twenty inquiries that we contact and talk to we would send out 18 in vain at a cost of \$8.00 or \$144.00, that is not cost effective for a small franchisor and it when multiplied times ten is not cost-effective for large ones either. Please ,oh brilliant grand Pooba, enlighten us as to how this is so darn “cost-effective” will you? Well the current franchisees the consumers pay for it in the market place due to competitive information leakage and we as franchisors pay for it in real time lost and \$144.00 per 20 leads. For our company that is times five per week or \$720.00 per week and over a year you just added \$37,440.00, and just think we are only getting 100 leads a week, what about those who spend a lot in advertising their franchises, what is their costs? And here is one for the Liberals out there reading this who want to save the planet by stifling the free enterprise that our ancestors died to protect and give you the standard of living you now have. Our franchise agreement and UFOC with attachments was 115 plus pages in 1995, some were 235 pages at that time. Other franchisors have larger documents. Companies like Dwyer, Grow Biz, Service Master, etc., have over 280 pages with all the disclosures and attachments. So how many trees are we going to cut down to disclose people who are not even legitimate, do not have the money, are simply looking for free information to attack their competitors? Yes we can cut down the number by further scrutinizing the buyers, who are more and more reluctant to give out personal information in the first place because of the Federal Trade Commission’s failure to curb

identity theft. If you think my figures are too high you are wrong because long about June 2002 the United States Post Office is raised rates and there is talk they are going to raise them again in 2005? Why? Because people are using SPAM instead (which is costing American Business 35 Billion a year in lost productivity, wake-up FTC), because the Federal Trade Commission has not been able to stop it and therefore the junk mail or commercial mail that pays the bills at the USPS is dwindling. Did you know that \$37,000 pays for our entire annual meeting for our franchisees, yet this over disclosure you call cost-effective is eating up real profits and monies we could use helping our franchisees.

Where will I as an entrepreneur cut costs to cover this increase in paperwork that the added pages in the UFOC will need when the Federal Trade Commission enacts these additional rules? Hmm? How nice of the Federal Trade Commission comment on my costs and the cost-effectiveness of the insanity of over disclosure? How dare they copy the comments of Lawyers who specializing in suing franchisors as factual, this shows how out of touch our regulatory bodies are and it is unforgivable and unacceptable, we need to take these disclosure laws back to the drawing board. These current disclosure laws and this trend is a plague against America, which more resembles a Smallpox laced Ebola virus than anything else.

No one in the Federal Trade Commission Franchising Division should be allowed to make rules unless they themselves have worked in an actual franchisor sales office, completed the International Franchisor Associations 'Certified Franchise Executive Course' and owned an actual franchised outlet. As far as fraud goes, yes, I see it every day, I see it in lies on franchise applications, extortion from franchise lawyers who have mangled the intent of franchise law and in the end users and consumer that buy services and products as they try to return merchandise they did not buy, steal credit card numbers and trash can receipts, try to use last months coupon or punch extra holes in their buy 10 get on free frequent shopper cards. And we all see fraud in SPAM, I am getting on average 1633 per day, worth of Viagra, Nigerian Scams, Fake Rolex Watches, Phishing Expeditions, etc. There is your fraud, go get em' my SPAM is increasing faster than a Delta IV Rocket. But on the franchisor side of things, there is no fraud to speak of, those franchisors who do will fail as the franchisees will destroy their good will from negative word of mouth and lawsuits.

Who exactly is going to pay for these extra costs of additional disclosure? Is the Federal Trade Commission going to pay? No, it will be the consumer who pays as all costs are passed onto them. After all, every single dollar The Car Wash Guys spend, is a dollar we cannot use helping our franchisees (your consumers) who in turn pass on those costs to the end user again another one of your consumers. Are you really trying to help consumers or are you simply trying to prove your worth as an organization with teeth. "The mighty Federal Trade Commission," is that it. The Federal Trade Commission "We will show you whose Boss" attitude. Sounds great only one problem, that goes against everything this country stands for and it is the same attitude that the international terrorists had. They attacked NYC because it was the business and money

capital of our great nation. The Federal Trade Commission is attacking the fiber of American business, the American Dream and Capitalism itself, because that is exactly what franchising is and the model it embodies. This is not a Socialist Country, I know that hurts you people at the Federal Trade Commission. A book of reference of this fact is "The Government Side of Business" By Smoot. It should be required reading by all those who work at the Federal Trade Commission in every department, for those who truly wish to make a difference, you should know what your regulations do to the over all real world economy. You want to change the world for the better, do not impede, help the model succeed. I have been to every city in the country over 10,000 population and I have seen the destruction that your regulations cause through unintended and unanticipated consequences, what is wrong with reducing your regulations and helping the common good, the rural towns in America, the people who care most about this great nation?

It is unfair for the Federal Trade Commission to make a misrepresentation of facts, falsehood or bogus assertion when they either knew or should have known that such statements will cause irreprehensible consequences to free markets and further violate the right to free contract afforded to us by the United States Constitution. Stating that these disclosure documents are somehow "Cost Effective" is such a falsehood. Whether or not such claim was made out of malice or ignorance neither alleviates the cause and effect or lets the Federal Trade Commission off the hook. If it was made in spitefulness it is dishonest and the problems created can never be fully remedied, if it was out of ignorance, it clearly spits in the face of the very "Truth, Justice and American Way" that we as citizens expect from that branch of the Department of Justice. The all-knowing, all mighty FTC looking out for us, how can this be? How can such linear thinking and such outrageous miss-statements appear in a report concerning the greatest business model every created in the history of mankind's development of economy and trade. There is nothing, cost-effective about the current disclosure process, it is cumbersome, it slows down the fluidity of business, it is cost prohibitive and creates barriers to entry, thus eliminating competition, consumer choice and causing further problems down the road for the very consumer such disclosures are suppose to be helping. "Cost-Effective," reminds me of NASA spending a million dollars to engineer a pen that could work in the International Space Station, the Russians took a \$.04 pencil. How would government know anything about being cost-effective? That is utter nonsense and that phrase and premise; "cost-effective" has any basis. This cost-effective message, which is extended thru the report is a hole in the whole foundation of the argument for any for massive disclosure rules in the first place.

Any comments to the contrary simply are made out of ignorance, self-serving greed or a socialism skewed view of the world. We need to stop listening to lawyers and start listening to the freedoms which free markets create. This is not a Communist or Socialist country, this is a Republic and a Capitalistic country and it is the best country on this planet in this present period. Surely we can keep it so into the next period. It is unacceptable to make such comments in a report by the Federal Trade Commission and scary to think that a business model, which has given as much as franchising to this

country would be further regulated; costing more American Jobs. Think about it. Cost-Effective? Not hardly. That is about the last thing I would describe it as. If these are the words used by attorneys in the franchising industry to describe our current disclosure requirements then such men could not possibly know their own bumper from a rabbits lair. I think you know what I am saying here.

In conclusion, how can anyone in good faith write the words “Cost-Effective” describing Disclosure laws in any industry, including franchising. There is nothing Cost-Effective about the current disclosure laws. All the costs of over disclosure are past onto the consumer and therefore hurt consumers, not help them. All the required disclosure does not make franchising more ethical, as in franchising it is a win-win situation, if a franchisor cheats the franchisee, they will not be in business very long, because if the franchisees fail so to will the franchisor. The Federal Trade Commission is missing the point and catering to lawyers who have raised the costs of franchising and boxed in the entrepreneur from performing at optimum and this hurts the economic forces associated with strong markets. The regulatory agencies of our nation ought to be ashamed of themselves as they attempt to regulate morality without looking in the mirror at their own endeavors.

That is pretty much what I wish to say, from the entrepreneur’s perspective regarding the word “**Cost-Effective**” in your report. It does not belong there and should be removed, please make a note of it. If we leave that word in the report it is either showing ignorance or an attempt to misrepresent fact in which case either the Commission is incompetent or lying and neither are acceptable in my opinion. I would appreciate such descriptions and wording such as “**cost-effective**” concerning government regulation not appear as part of public reports concerning my industry again. Why are you trying to destroy franchising, kill jobs, reduce tax base, give away proprietary information, increase identity theft, cut down trees, increase lawsuits, stifle innovation and so on? Please explain to us all how this helps consumers, franchisors and all we are and all we have built in this great nation, it would be a most interesting answer indeed.

We have been reviewing your report page by page, we have commented on the first two paragraphs in the first page of information directly following the table of contents. I see now the reason for the 432 page report. The FTC has put forth a 432-page report and used the mass data approach to BS and Baffle potential commenters. It appears to be working. No one wants to bother to read and understand it all. However one franchisor, one entrepreneur sees this for what it is worth. So on to the next paragraph we go. It appears that our comments at this current rate will be about 10,000 pages of commentary on the Commissions Misguided thought process. An entire University Level course could be taught on the cause and effect of this one report in a masters Econ degree program. If you want to design a good franchising model, you need to step out and look at the bigger picture. Franchising is a world where everything consumers desire is made available to them at fair and reasonable costs, it is the epitome of Capitalism itself. The over regulation trend in the industry where little if any fraud

exists signals a run-away effect of Political Correctness and a definite move away from capitalism to something more resembling the “Ayn Rand Effect” which is a place I do not believe the American people wish to go. The government’s number one job is to protect the American People, not hurt them. They trust the Federal Trade Commission and other regulatory agencies to do the right thing, but are being led down a path where soon we will come to the point of no return and the capital will fly to other countries and markets which are better suited for safer ROI and where we the people will not be the beneficiaries.

I always assumed that half of the Federal Trade Commissions staff are attorneys and the other half are economists. I think I am surprised that the economists have allowed the attorneys to win the internal struggle. Apparently the FTC needs to ditch the symbol of the scales on their logo, because nothing could be further from the truth, that symbol and what it represents has nothing to do with the current trends at the FTC.

The Federal Trade Commission needs to have a reading room, reading lists, which include economic theory, franchising history, entrepreneurship, which exceeds the hundreds of thousands of pages of law library books. This would be a worthy investment. Intelligent people make better decisions and less non-linear rule making. We need to re-educate the liberalism of today’s Universities out of the heads at the Federal Trade Commission who must regulate or referee in the real world of modern business and reality. There is no place for pie in the sky, utopian dream rule making. You cannot have Utopia until it is earned and built by, yes, by us entrepreneurs. The laws and rules need to reflect this present period and the reality of the market place. If the Federal Trade Commission would like some titles for this new reading room, I will be glad to compile a list. We must not allow the evil, which lurks at the FTC to permeate the business community. The Federal Trade Commission is clearly “unfit to lead” such an industry like franchising.

The Federal Trade Commission and all regulatory agencies need to understand free markets and market drivers before they go meddling in them. I see that they do not, The Car Wash Guys fear the end is near for franchising and the Federal Trade Commission has no clue what to do next, so they default not to the entrepreneurs, but rather to the parasites (opinion), which brought us to this point in the first place, the gosh darn lawyers? Well, what say you? Let’s here the Federal Trade Commission Franchise Division Deny it.

Once again there will be no niceties in the salutation, I believe those must be earned. A good start would to apologize for past mistakes, come clean and reverse the trend, thus proving to the world that the Federal Trade Commission is willing to walk the walk and guide and referee America’s greatest asset into the next period, while showing the consumer that they understand the balance which is part of their adopted logo, maybe Robert Kennedy was a Libra, because that scale makes no sense in hindsight of watching their endeavors as they attack American Business and the Franchising Community. The Commission has a job to do, if it cannot do it, it is not needed. Is the

Federal Trade Commission up for the challenge? Do they have what it takes to stay reality based?

Show Me,

Lance Winslow

The Car Wash Guy



From: Lance Winslow
Founder
WashGuy Systems
74-478 Hwy 111 POB # 378
Palm Desert, CA. 92260

November 9, 2004

By Email; Tracking IP number into GrayWolf System with electronic receipt.

Office of the Secretary
Federal Trade Commission
Secretary, Federal Trade Commission, Room H-159 (Annex W)
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Public Comment: "Franchise Rule Staff Report RF511003"

Re: DISCLOSURE REQUIREMENTS AND PROHIBITIONS
CONCERNING FRANCHISING
Staff Report to the Federal Trade Commission and
Proposed Revised Trade Regulation Rule (16 CFR Part 436)

Comment on the purported claim that the Federal Trade Commission's many years of "**Law Enforcement Experience**" in the Franchising Industry is sufficient and makes them fit to lead. We question the use of that phrase in this report.

Dear Sirs,

We would like to open my comments with some kudos to the Federal Trade Commission. We sincerely compliment you on your misdirection, smoke screens and use of self-aggrandizement to further justify the on-going ability to govern, lead, legislate, regulate, and enforce law in the franchising industry. Many of the fear tactics and public relations ploys at the Federal Trade Commission show tactics straight out of the Machiavellian Play Book. Therefore we believe some sort of award is deserved for such strict adherence to that methodology. The Federal Trade Commission has very well executed these plays time and time again. There is a significant problem however with all of this. That problem is the franchising industry is on the same team of those ideals you claim to be promoting. Truth, Justice and the American Way at the Justice Department and Free Markets, Free Enterprise, Competition, Consumer Rights at the Federal Trade Commission. However, in reality what we find being done at the Federal Trade Commission is a systematic blocking off of lanes during rush hours, when there has not been any franchising roadwork on the highway in ten years? Where no major accidents or pile-ups have been caused by franchisors. Yet we as franchisors are treated like Islamic HazMat drivers under the influence with bogus ID. The franchising company leadership is nothing close, under the influence maybe, under the influence of innovation, capitalism and entrepreneurship. Last time I checked that was what built the country in the first place. Well it appears that being feared and respected has always been runner up to being loved and respected as per the Prince.

The patch work of federal and state franchise rules reminds me of this I-95 corridor and Mixing Bowl where all your laws come together along with all the state registration laws for a complete quagmire of debris in rush hour. During economic expansion periods franchising must flourish and under times of economic uncertainty franchising can pick up the slack in the job markets while lessening the blow of economic hardship. Attacking the franchising model and setting up roadblocks is not law enforcement although it does create criminals out of hard working folks who are holding up the economy. Franchisors are better suited at law enforcement, enforcing natural laws such as law of the fittest through direct competition and enforcing standards for consumers based on their desires and purchases for such. How on Earth can a government agency, which does not have to turn a profit or uphold any sense of 'market-reality' of consumer supply and demand in the market place expect to do that from afar, by merely putting words on paper? What about the laws of free markets, free men, right of contract, supply and demand, competitive industries or consumer choice? Are those not laws? Are those laws any less serious than the Federal Trade Commission's words on paper of rules and regulations which have no basis or market reality and are written by those who have never had to make a paycheck and discussed by attorneys who make money manipulating the laws of the

market and those on paper for their own personal gain, without contributing to the perfect system of franchising and those of free markets? Isn't it time that the Federal Trade Commissions law enforcement experience include a 'reality check' and follow the natural laws of our own capitalistic system? Enforcing laws, which are of detriment to the economy, jobs, capital flows, industries, franchising is not helping anyone, as a matter of fact as I have shown it is hurting everyone. If this is the law enforcement experience that the FTC purports it is a very sad day for the Free World and those who participate in the greatest market place of all, yes I speak of the United States of America, where all things are said to be possible.

The Federal Trade Commission creates unworkable scenarios, rules and over disclosure and then waits for society to deliver them a criminal. Then promotes the fact that they have now found a criminal "Exhibit A" to justify their case for further rules and regulations. That is not law enforcement that is just 'left' of a very bad joke of the direction and trend in America. Finding criminals and filing cases is wonderful and perhaps could be considered law enforcement experience. Yet the criminals you pick as targets are merely entrepreneurs, business men and women or fast moving comets of commitment, dedication, perseverance who believe in country, capitalism and freedom. I find it fascinating in the conclusion of this report that the Federal Trade Commission interprets all the incoming comments from 1995 and 1997 as proof of further need to provide more disclosure to franchisees. I find in summary of reviewing all those comments the exact opposite.

If you look at all the comments you see dickering from both sides over phrases, disclosure topics, wording in the UFOCs from lawyers, franchise rights groups and industry associations. If you want children to stop fighting over a toy, take the toy away and they will not be fighting over it anymore. Then maybe the children or adolescents will get along. The toy in this case is the rules created by the FTC to provide a point of sound a fury to each side. If you remove the rules and allow the free market to justify itself you will see very quickly that the children will learn to get along better. Yet instead now we have the FTC playing parents and each child is trying to get the parent to render a decision? Why not remove the toys and the parents and make the kids work it out. Why is the FTC being the judge over plastic shovels in the sand box. We should be letting entrepreneurs build more sand boxes, industries and business models to accomplish and satisfy the needs and desires of the consumers, rather than forcing everyone into the same box. We also need to allow for more shovels so all players can have room to move and play in the free market sand box. If the FTC, teacher is controlling who gets the shovel for how long and what they can do with the shovel then the kids can only use their imagination so long, before

they are cut short in what could have been an excellent sand castle. A castle providing jobs, points of trade and satisfied kingdom where it pays for everyone to get along is best for all concerned and it sure makes the teacher much more appreciated and useful. If we will back off of all the incessant rules and regulations we will have kids learning to share, get along and become better citizens, not running to the teacher every time they did not get their way and forgetting why they are all there in the first place. To learn and grow, to build and create, to innovate and experiment, to serve the common good and create a win-win situation for all concerned in that period of their endeavors. Watching the attacks in the this rule making process sand box and clarification from the teacher as to who gets to use the shovel to hit the other kids with and who gets to throw sand back at who, I see a trend from outside this sand box looking in. That observation tells me that it is unworthy of my time to join in and tells entrepreneurs not to invest time or money into the franchising model at all. The teachers have forgotten why they are there and are making it hell on the kids. Why play? Entrepreneurs real ones, build and create and when you force them into a box you do not get their best efforts, no one does. Not them, their sand castles, employees, the kingdom, the future of the next recess period of economic expansion. The only one who will win is the little cry baby who runs and tries to convince the teacher why they should be allowed to have the golden shovel and why it is not fair that Johnny is building a beautiful sand castle for all the others to play with. The FTC is wrecking franchising and allowing crybaby attorneys to argue over words, when we need live and let live so we can all prosper again. Johnny gets the shovel unless Margaret cries or Mark hits Elizabeth and she tells the teacher. If Johnny builds a sand castle too good, it must be torn down because it will make little Billy feel insecure, even though he pushed Lisa off the slide four weeks ago who fell on David who told his Mom who mentioned it to the assistant principal. So because there is sound an fury in this little world along with some restless natives we are not going to allow Johnny to use the shovel unless he promises not to build creative sand castles and when he does immediately destroy them or give them to the other kids as soon as he is nearly completed. What is wrong with you people and what is wrong with this picture? I find the world of franchise rule making similar to the Six Tour de France wins from Lance Armstrong. Now the French want to redesign the course to make it easier so some one else can win? Why? They had 20 stages times six years to win. Six years to beat the best. Now since they want everyone to be equal and the same we see they are going to change the rules so someone else can win, who? Little Billy? Is this promoting strength of character, dedication, perseverance or commitment? No it is promoting a sand box of weak, less serious, less intelligent, less opportunity, less cooperation, fewer choices, so everyone can be controlled. I can understand in a sort of cynical way why France might do this, being a socialist minded society and all that. But I cannot

understand why some schools cannot keep score in soccer in lower grades anymore, why sand box controls are more important than free enterprise and why we in the United States of America are trying to micro manage Franchising with over regulation to appease a bunch of lawyers so they have something to squabble over. You cannot get lawyers to agree on anything, why would franchise law be any different and why are we even listening? It is time for the FTC to step back from the sand box, allow the free markets to adjust them selves and reduce the rules and allow the sand box work it all out. We have way too many crybabies (attorneys) getting way too much attention from the teacher to get anything done in the franchising sector. Let the creative geniuses build their sand castles, let the market work this out, eliminate the rules and give back the freedoms to the entrepreneurs then you will have all the jobs you want, more kids attending the school, more playgrounds to oversee and more opportunity, prosperity and a brighter future for America. We need to make room for the next set of hard charging entrepreneurs to come along. God knows little Ray Kroc was probably building sand castles as a child, he was building and creating even at that early age. Is the FTC trying to destroy the next set of up and coming entrepreneurs? Yes, absolutely, whether they realize it or not. I call that pure evil, the kindergarten or first grade teacher from hell.

Creating rules which are out of wack with the changing and evolving business model of franchising and waiting for complaints of non-performing and renegade franchisees on your online complaint Internet form is not what I would call Law Enforcement. Filing cases, with doctored up declarations made by people coaxed into embellishing complaints due to promised monetary settlements is not law enforcement? That is criminal, it is called lying, it should not be considered law enforcement, it more resembles the mafia, were they take down those who oppose and then use them as an example. Shouldn't we have an internal investigation of these manipulations and what I call fraud within the Federal Trade Commission? Targeting a possible case and then notifying some 70 different agencies of various jurisdictions in the US, Canada and abroad and putting a company on a "watch list" is not law enforcement, that is harassment. Purposely calling, emailing and contacting a company or individuals based on complaints from competitors to entrap is not law enforcement, I think Adam Smith might have a better definition than I, perhaps even Karl Marx might wish to opine. Filing cases in secret courts and freezing assets of an ongoing company in order to starve a company to win a bad case is not law enforcement, that is a targeting malicious abuse of power. I can prove all this is happening. None of which I would consider Law Enforcement Experience. This must stop now.

In our country we have identity theft and identity creation costing this country billions of dollars and destroying family credit, chances to own a home and allow

them to join the ownership society. We have SPAM costs businesses some 30-57 estimated billions of dollars per year in lost productivity. In the last 24 hours I have received 2336 emails and only 120 were legitimate, the rest was SPAM. As far as Law Enforcement experience at the Federal Trade Commission, I think there is work that needs to be done and I would not call what has been done law enforcement experience. You can call it grandstanding with fancy meetings, press releases, PR events, case filings, but the fact is that the Federal Trade Commission has failed. You failed. My SPAM has gone up 3000% since you started enforcing it? Identity theft has run rampant. On October 28, the FTC announced at a meeting of private investigators that they had filed now 63 cases against SPAM. Guess what it is not working, my SPAM is still increasing? So if filing lawsuits is considered a law enforcement experience, it is not any problems. Similarly the FTC failure to bring relevant and honest cases against disreputable franchisors show one of two things, either;

- A.) There is no real fraud to be found
- B.) The cases brought forth are all like our case with the FTC, totally bogus.

I believe judging from my experience with this purported noble agency of balance and justice that it in fact is a combination of the two scenarios. Thus why do we have a franchise rule in this country at all? The industry would be better served and better controlled by consumer watchdog Blogs. If a good majority of the 63 SPAM cases are like those filed against reputable franchisors then many of these cases are indeed against innocent parties as well. Thus the only real reason for the cases is a feel good thing for consumers to think someone is watching out for them, when in fact those watching out for them cannot solve the problem at all. Simply filing cases or throwing money at a problem does not mean you are a legitimate agency or accomplishing anything in your endeavors, both the franchising regulatory issues and the SPAM issue seem to show a similar trend at the commission and it is not very becoming of the Justice Department or regulatory agencies in general. If this is what is meant by the FTC's law enforcement experience, then such catastrophic failure to protect the consumer is unworthy of mention and a different phrase should be used. "The Federal Trade Commission's failure in law enforcement indicates that...." Perhaps that would be more appropriate in this report on the franchise rule? I therefore believe that the phrase "Law Enforcement Experience in the second page of this report in the background section is inappropriate and if this is the basis for allowing the Federal Trade Commission to supervise and continue in the rule making process then it must be stopped at once and barred from the franchising industry all together.

The FTC is a duplication of other agencies and always tooting it's own horn, but in reality it does not do a whole lot of anything really. I speak mostly to the consumer protection division which oversees the Franchising Rule part of things; however if one were to review the break up of AT&T in hindsight or the Microsoft Case based on competitor complaints such as Oracle and AOL, both of which in the news for questionable activities within the last month, one has to wonder about the abilities of the FTC at all. Can we trust the Federal Trade commission at all?

Attacking companies seems to be a ploy for consumer confidence using our courts and some media headline grabbers is about all? If so fine, we can use high consumer confidence levels, turn it into a government public relations department, but please spare us the BS in claiming to have any law enforcement experience? Do you carry guns? Do you carry badges? Do you have ten-year background checks? Doubtful, if you have 26-year old prosecuting attorneys working there, then have you checked their backgrounds thru puberty? Yet these employees of yours have enough power to go and attack the companies, which create, build and employ the rest of America? Ouch. Speaking of government employees and their work ethic, I would like to point to an article in October 4, 2004 issue of Federal Computer Week Magazine, were a lady was working for six months, looked busy all the time, but was really just screwing around surfing the net, visiting 7600 websites, sent and/or received 13,000 emails during that time and in one day alone visited 599 sites? Is this the reason why the Federal Trade Commission has not done anything with the franchising rule in 10 years? Is this the type of law enforcement experience you are talking about in your report? Well? Is it? How can we be sure that the FTC is not kicking their dog? They seem to believe that there is a lot of fraud out there in franchising, even though their report to Congress admits franchising has no complaints to speak of?

Folks, the Federal Trade Commission does not have in my opinion any real or relevant law enforcement experience at all in the franchising sector. I believe I personally have more law enforcement experience than they do;

<http://www.lancewinslow.org/nmwp.shtml>

The Federal Trade Commission is in my personal opinion, especially the franchising section for which I have first hand knowledge is an agency run amuck, much like many other agencies we often read about. It is at best a completely fascinating and interesting waste of taxpayers money, who can we cut taxes and lower the deficit? Well, perhaps by cutting out the fat at the FTC. The franchising department in particular is a fraud in my opinion, a complete

misrepresentation to the public and the consumers they pretend to protect. In our case with the Federal Trade Commission, which was cited in this report. They received complaints from 4-5 franchisees, who had been refused private attorney representation because they had no case and no attorney would take it. Two franchisees who complained to the Federal Trade Commission about our company had paid only two franchisee royalty payments. Additionally these two franchises coaxed a couple of others who had paid no franchisee royalty payments to make duplicate or very similar complaints so they got together their stories and submitted complaints to the FTC. By then these former franchisees had turned into competitors refusing to honor the franchise agreement, yet still used our methods and proprietary equipment, knowledge and know-how. The Federal Trade Commission case-worker (prosecutor) decided to promise these franchisees monetary compensation and told them to embellish the complaint in formal declarations (lie under oath and penalty of perjury). The Federal Trade Commission then took a complaint from a commission only sales person in GA, which fired for giving unsubstantiated earnings claims and allowed him to file a complaint. In the franchise rule this is against the law yet the Federal Trade Commission saw no problem with this and took his complaint anyway. His wife just happened to work for the State of Georgia Consumer Rights Agency (do not remember the exact name of that agency). We even recovered a copy of an email correspondence between the entire set of complainants, to show collusion, yet the Federal Trade Commission balked at settling or reversing their mistake. Taking this information along with the embellished complaints former franchisees (competitors) and the FTC went forward? But why? Why move cases which are bogus forward? Is this to add to the "Law Enforcement Experience" add to the list of important law enforcement actions of the commission? Why continue such a obviously fraudulent case? Is it because I have been critical of the FTC, I am a citizen? Does that mean that the FTC has to lie to keep up it's façade? Unable to do it's law enforcement actions legitimately, misrepresenting it's abilities with unsubstantiated record of law enforcement? Is this all we get as consumers? Is this what is expected of those critical of dishonesty in our government?

I have observed bad legislation, abuses of power and ridiculous barriers to entry through over regulation and had stated so in the comments on the FTC's franchise rule in 1997? Equally telling that my concerns in 1997 were not addressed in this report as were all the lawyers and attorneys. Entrepreneurs who produce everything we have come to enjoy in our civilization somehow are less important than those who manipulate the intent and letter of the law, rules and regulations. What a sad commentary of the greatest nation in the world. The FTC targeted me, personally slandering my name and went after my company causing serious issue with our brand name, which had taken decades to build.

Then using this they attempted to profile myself as a fraudster, money launderer and bring my wife into the loop who was not even an officer of the company. No kidding and it gets worse. After profiling me and filing some 1300 pages of declarations and so called proof of guilt and profiling, they filed the paper work in a secret Federal Court. The Federal Trade Commission then went all out on this one, even convinced the judge, with their overwhelming evidence (1300 pages of misrepresentation), that they must immediately seize all assets since I might flea the country? That is insane, I run a company I have built up since I was 12 years old, one they were trying to destroy, why would I leave my country a country I love? www.carwashguys.com . This of course one of those typical slander jobs you hear about, but never really believe. What kind of law enforcement experience is that? Who is watching the Federal Trade Commission. To make things worse we had tracked the last name of one of the case-workers to another huge company with 5000 franchisees in a similar service business which competes in some of our markets. Incidentally the first complaint came from a franchisee use to work for that same fortune 500 company in one of their franchise service divisions. Then we find that a case worker at the FTC who was involved in our case to college with other competitors in the car washing industry. We also discovered that a person of the exact same name living in the same area (an uncommon name) and also going to school in the same area who had worked on our case had written gay porn on the Internet (yes we have documentation back-up). How wonderful to know such a person might still be working in the computer consumer fraud division at the Federal Trade Commission. I certainly hope everyone is on top of these things and there is some internal affairs division, because if this is the Federal Trade Commission's idea of law enforcement in the Franchise Field, well then, perhaps we are better off without rules or regulations in the franchising industry at all. After all no fraud exists. The only fraud I have observed first hand is that which resides inside the very agency which is suppose to be watching all of us. If the FTC is watching franchising, then whom is watching the FTC's franchising sector? And when are we going to start investigating them?

I would not even believe the story myself as it sounds like a conspiracy novel, except that it happened to our company and to me personally. I have proved my innocence and that the company did nothing wrong in 2200 pages of rebuttal and it was settled out of court, yet a black mark remains on our company and my name. And due to the actions or "Law Enforcement Experience" of the FTC and the seizing of assets for over a year we were unable to help our franchisees and 30 of them had failed, not all, but 30 consumers lost everything due to this action. If attempting to destroy businesses on behalf of competitors is what the FTC is up to, then we need to destroy and terminate the Federal Trade Commission's Franchising efforts by cutting off all funding and laying off all

employees associated as this would be the best for all concerned. I think we in the franchising arena need a timeline of when this will end and when that division will be completely cut.

No apology has been given to our company and the case against us still remains as an example of the Federal Trade Commission's Law Enforcement Actions and now is cited in this 400 plus page report as part of their law enforcement experience. I believe that it is not right for the Federal Trade Commission to purport any law enforcement action until it comes clean itself. Simply filing cases against companies is not "law enforcement experience."

I am certain that the FTC has shredded our proof of innocence on our part, but we still have copies of all of it, incase they have. I believe this should be looked into further as it shows why there is a growing distrust of government in our country, which is highly unhealthy. If the FTC is watching American Business, then who is watching the FTC? Some could say private sector attorneys and you can always fight the FTC, but even giants like Microsoft end up settling out of court, due to the cost of litigation these days. The FTC can take away a billion dollars of hard earned brand name value, but grandstanding in the mass media and filing a case. What a complete sham? It costs too much to prove you are not guilty of violating something in the myriad of over regulation? Wow, is this the best the United States of America, the greatest nation in the world can do? Is this the best that the Federal Trade Commission, the darling of the Justice Department can do? Are you kidding me, that's it? That's all you got? Filing bogus cases and grandstanding to prove that you are doing your job and get next years budget? Why? So you can employ more people in the Belt-way? The unemployment rates there are so low you cannot even get a legal citizen to come mow your lawn in Woodbridge, VA or Bethesda, MD. They even had to import the DC Sniper from the other Washington, Washington State because all the locals are too busy working to go around shooting people, well unless you are a US Marshall with road rage you open fire on a US Navy Sailor in the middle of traffic. Does the government see what is happening here? That their law enforcement officers cannot be trusted? Can the Federal Trade Commission admit their faults so we can all move forward for the betterment of country? For the betterment of franchising, the best business model ever created? The Federal Trade Commission's law enforcement experience, if you really wish to call it that in this report, is an embarrassment to the other law enforcement agencies. Does the Federal Trade Commission have any honest law enforcement experience? If so one has to wonder.

Obviously there are some pretty unethical, unstable and questionable people working in many agencies in DC. Like the Secret Service man who lied to get a

conviction at the Martha Stewart trial. The FBI agent who gave information to China through a sex slave, extra marital affair, girlfriend spy. How about those 13 LAPD cops who were robbing banks because they had to feed their six kids? Remember recently the hiring of the foreigner to the NJ state homeland security committee in trade for gay sex acts? And of course the Abu Grave prison sex scandal? We are always reading about Border Patrol agents like the one caught as a part of a 15-ton drug shipment, working with a trucking company? How about the most recent telling quote of Elliot Spitzer saying he is going to drive a stake through the heart of businessman he has a personal vendetta against. (Source WSJ). We know that no agency is perfect, as they are made of imperfect people, but why must the Federal Trade Commission follow suit, in such unethical practice? We need to clean up government and eliminate the fraud, there is no fraud in franchising, The Federal Trade Commission needs to look in the mirror. I cannot allow the phrase "law enforcement experience" to be used in this report, without comment, that is a clear misrepresentation of an agency which has already admitted that their purpose is to watch trends in industries and if needed file court cases to collect fees. Well if that is the method of the Federal Trade Commission then it does not need a franchising division and all the rules on the books need to be gone through and most of them eliminated. We need to reduce the franchising regulation and receive new vigor and renaissance in Franchising, not stifling and more minutia.

You see law enforcement experience means nothing when you abuse the power of the law. When you manipulate data to justify your job or to help competitors in the market place which are inferior, cannot compete fairly or just lack the human capital with any real intellectual capacity to do business at the speed of thought. Promoting weakness in markets is unhealthy and to do so as part of law enforcement actions using methods of abuses of power is not what I consider law enforcement experience, it would better experience for the Gambino Family or Osama Bin Laden who attack freedom and free enterprise.

We need to downsize these agencies. Apparently the FTC in our case has joined the ranks of those other agencies in their un-ethicalness. How many companies have they ruined and attacked? How many jobs have been lost? How much opportunity has been missed? How many freedoms squandered? My thoughts are if people in these agencies have that much time on their hands to surf gay porn on the internet (yes there was an article of this at the FTC in the Post) and attack growing franchising companies like ours; www.CarWashGuys.com . Then obviously they cannot allot the time to real issues, which are parasites on our society, such as the Identity Theft, AdWare, Phising, SpyWare and SPAM. I sit here as a fan of the FTC in their endeavors to fight fraud, crime, computer issues, but as a critic to their attacks on franchising and specifically the company

I have been building since age 12. There can be no excuse for these attacks, we will press on, but we can never back down to the misrepresentation and illegitimate grandstanding at the FTC, it must stop and it must stop now.

“Law Enforcement experience” does not include attacking innocent companies and individuals who are dutifully exercising their right to free contract. Attacking such individuals and companies for reasons other than that which the law provides is abuse of power and therefore criminal activity. This destroys the integrity of such an agency and it slaps in the face of the reason for forming the Federal Trade Commission in the first place. It additionally undermines the entire mission of the Justice Department, which already has a black eye in the minds of the people over the prevention of 9-11 and the patriot act, which followed. If an agency cannot fulfill it’s promise it need not bother to exist, for it is a plague on civilization and a complete waste of tax payers money.

My recommendation is that the words and phrase “law enforcement experience” be stricken from this report and does not re-appear until which time the Federal Trade Commission has admitted it’s failures, apologized and learns what law enforcement experience is.

The Federal Trade Commission has made some huge errors. Should we in fact allow them to continue to referee the franchising industry, which is so important to jobs and economic vitality in this country. Can we trust an agency, which misrepresents their experience, in this case, “law enforcement experience” to moderate and regulate franchising? It appears that in this regard the Federal Trade Commission’s Consumer Protection Division’s Franchise Rule Group may in fact be unfit to lead.

This letter along with a back-up of 2200 pages of documentation will be sent to several other agencies if it fails to be included in this rule making public comments page. The truth must be heard, there is a legal and moral obligation. If we are going to continue to regulate franchising, we must down size the regs to fit the level of oversight needed, to allow franchising to flourish.

A patriot and a gentleman always and forever,

Lance Winslow

The Car Wash Guy



From: Lance Winslow
Founder
WashGuy Systems
74-478 Hwy 111 POB # 378
Palm Desert, CA. 92260

November 9, 2004

By Email; Tracking IP number into GrayWolf System with electronic receipt.

Office of the Secretary
Federal Trade Commission
Secretary, Federal Trade Commission, Room H-159 (Annex W)
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Public Comment: "Franchise Rule Staff Report RF511003"

Re: DISCLOSURE REQUIREMENTS AND PROHIBITIONS
CONCERNING FRANCHISING
Staff Report to the Federal Trade Commission and
Proposed Revised Trade Regulation Rule (16 CFR Part 436)

Comment on the Federal Trade Commissions use and justifications in this report using references to the Better Business Bureau or Better Business Bureau's information.

Dear Sirs,

In this report we see that the Federal Trade Commission has referenced the Better Business Bureau – Better Business Bureau in several places. It appears that the Federal Trade Commission is using this private business as an example and potential justification of their on-going rule making and regulation growth in franchising. I feel that any association with the Better Business Bureau is bothersome in that if they are in constant alliance with the Federal Trade Commission then the Federal Trade Commission, is not watching their potential abuses or manipulations in the free market. We had done a report approximately three years ago to find out exactly what the Better Business Bureau was all about after a decade or more of what we believed were to be questionable practices as they attempted to interact with our Independent Contractors, Company Owned Units, Franchisees, Customers, Consumers, Business Associates and Chambers of Commerce in which we or our associates were members of.

Here is what we found:

We had found what we believe to be Better Business Bureau Fraudulent Sales Practices. We asked our contacts in the 23 states we have set up franchises in if any other small businesses had a problem with the Better Business Bureau and there sales practices? We have for quite some time. Our franchisees are required to join the local Chambers of Commerce as part of their franchise when one exists in their exclusive territory. But as soon as they do the Better Business Bureau calls up and says;

“We have been getting a lot of calls about your service, but we did not know what to tell those customers who inquired about you with The Better Business Bureau?” Then the pitch goes on... “for about \$300 plus dollars you will receive....”

Our franchisees join the chamber prior to the commencement of their business while their mobile car wash service trucks are being built to get to know the communities they will be serving. Invariably they will get the call from the Better Business Bureau from the new member directory from the chamber of commerce before any advertising goes out, so in fact no one had ever called the Better Business Bureau at all requesting information about our franchisees. We go into most markets stealth as we realize the competition is already there and may attack.

This has happened to our franchisees with the Better Business Bureau in Carson City, NV; Palm Desert, CA; Agoura Hills, CA; Camarillo, CA; Sacramento, CA and Houston, TX. I realize that this could be considered “telemarketing fraud” or misrepresentation of the sales process to get new Better Business Bureau members and I am concerned. I am told that many of the 128 Better Business Bureaus across the country pay their salespeople either all or part commission. So perhaps this is an individual problem, yet their sales people have done this. I personally have had it happen five times to me in phone calls because, even though I am the founder of the franchisor, as the franchisees signed up at the Chamber of Commerce and did not have

phones yet, we used our main number, so they called me at Corporate. As a franchisor I am responsible for any verbiage of any sales person given during a sale, shouldn't the Better Business Bureau also be liable for these falsehoods? Why is the Federal Trade Commission using the Better Business Bureau in this report as evidence of the need to continue to regulate franchising?

I contacted the Washington D.C. head office of the Better Business Bureau and they denied that any such incident has ever occurred and referred me to the fact that they are a 90-year old organization. Maybe, but as it stands have been and probably still are breaking the law. This has occurred five times in sales calls to me personally from Better Business Bureau representatives.

I also contacted the Los Angeles Better Business Bureau and was told that yes their sales people often use Chamber of Commerce lists of new members as well as look up names of anyone who has had a complaint filed against them. I was told of this off the record, yet I am using this information too and making note of it in this official letter to the Federal Trade Commission. One must judge organizations and government agencies by the company they keep and the Federal Trade Commission works in close alliance with the Better Business Bureau. What the Better Business Bureau sales person was telling me in Los Angeles; in other words they use the list of companies who sign up at the local chambers of commerce or have filed fictitious name statements. And then call up the companies and tell them that the Better Business Bureau office had potential clients who had called in to ask about the new company. And that the Better Business Bureau sales people often said they had customers call in but did not know what to tell them, since these new businesses were not members yet, whether it was a valid complaint or not or whether or not anyone ever actually called in. There seems to be some hypocrisy at the Better Business Bureau and it is a little unnerving and of course unethical if not outright fraudulent. It has not surprised me that the Federal Trade Commission associates and works closely with the Better Business Bureau as I have serious questions and doubts about the Federal Trade Commission also.

I was told at the L.A. office that "MOST COMPANIES" join the Better Business Bureau. Impossible since there are over 1.6 million businesses throughout the greater LA, Orange County, Riverside, San Fernando Valley area and most could only be over 51%. This is an exaggeration by any stretch. Yet the Better Business Bureau keeps doing this even though it is a misrepresentation. The Franchisors are not allowed to exaggerate or misrepresent but the Better Business Bureau is? And we are further regulating the franchise model to stop fraud where none exists, yet leave the Better Business Bureau alone because it is in cahoots with the Federal Trade Commission? Hmmm?

If "MOST BUSINESSES" joined the Better Business Bureau, this would mean they would have a minimum of 800,001 business members (at 51%), when in fact they have less than one tenth that number in all of Southern California. Yet these same Better

Business Bureau offices take complaints about franchising and on many of their web sites tell buyers to be aware of exaggerations;

<http://www.bbb.org/library/fran.asp> .

This is quite appalling and shows that both franchisors and franchisee attorneys should stand up and take notice. It also shows that the Federal Trade Commission is not interested in getting to the bottom of truth, only furthering their marketability by promoting themselves as working with the Better Business Bureau in the private sector which has a brand name of 90 years of service to America? Although in the last couple of decades I believe it has been squandering that good will, through such abuses. Why won't the Federal Trade Commission look into this? Why does the Federal Trade Commission instead use the Better Business Bureau to promote its justification to further over-regulate franchising?

But this is not just a franchise business issue, it is a small business issue. All small business people are subjected to this and might be harassed. Chambers of Commerce across this country sign up their new members with public trust, yet this is being abused by another organization the Better Business Bureau. The Federal Trade Commission is allowing this because of their on-going alliance.

I was also told today by this sales person in Los Angeles that 9 out of 10 calls coming into the Better Business Bureau were consumers looking for references of businesses for service or products. This is also an exaggeration and a falsehood (lie). If you call any Better Business Bureau the answering machine usually states; "If you would like to make a complaint press 1..." There is no mention of getting a reference and certainly few incoming calls result in new business for its business members. One of the benefits you receive by joining the Better Business Bureau is instant credibility from the consumer, yet the organization issuing the stamp of approval lacks credibility and ethics of its own in my opinion. Much like the mighty Federal Trade Commission and their grandstanding to further their justification for next years budget.

Also of grave concern is the fact that even if you join the Better Business Bureau and appear in the Better Business Bureau phone book they produce in some markets, if you are disreputable you are still in print for the remainder of the year. And therefore we have the Better Business Bureau promoting disreputable businesses for as much as 12 months. If someone files a complaint against your company whether real or imaginary (trying to get free stuff) you must settle the said complaint before you can renew, once again extortion. There is nothing better about that.

I feel these sales techniques are fraudulent and disreputable. I am also concerned with the "Boomerang" closing techniques when the Better Business Bureau sales person gets a negative response to join.

"We will not be able to tell the people who call us that you are a reputable company."

Implying that the consumer will assume the opposite, that you are disreputable company. This in itself maybe good for Better Business Bureau sales, but it is an extortion technique. I have heard this extortion technique myself many times and phrased many different ways all-leading to the same tactic. Asking small companies to fork over \$300 plus dollars is unnecessary and they will receive little if any benefit for their Better Business Bureau membership. Perhaps the plaque displayed may be of value to customers in a store, but the way in which they attempt to sell it is dishonest. The Federal Trade Commission is hereby on notice that these alliances if gone unchecked mean that the Federal Trade Commission is a clear and present danger to the consumer and accessory to fraudulent sales tactics and misrepresentations.

The Better Business Bureau works closely with the Federal Trade Commission and after contacting the Better Business Bureau to make a complaint about their sales tactics, the gentleman in charge told me I was wrong, and that I did not know what I was talking about and that the Better Business Bureau would never do such a thing? Which is also a falsehood since I have experienced it first hand. When I told them that I might have to contact the Federal Trade Commission in this matter, they said go-ahead knowing their strength in alliance with the government. Knowing that they were considered beyond reproach? So the saying: "Absolute power corrupts, absolutely" again has a home at both the Federal Trade Commission and the Better Business Bureau in my opinion.

The Better Business Bureau preys on small businesses of all types as well as franchised businesses for membership using these techniques. We called the Federal Trade Commission as well and they would not take the complaint. Perhaps this is because they work with the Better Business Bureau in secretly using entrapment techniques to get franchisors to make unsubstantiated earnings claims. The Federal Trade Commission has also worked with the Better Business Bureau to catch franchisees of various systems in consumer fraud such as automobile repair, advertising claims and telemarketing techniques. So for this reason the Federal Trade Commission will not do anything about this issue.

The Better Business Bureau is above the law. We have documented that they often lie to prospective members to make sales, meanwhile attack franchisors using entrapment techniques from as part of Federal Trade Commission stings from the inside. Meanwhile they preying upon franchisees to prove self worth in conjunction with other agencies in the media and also use extortion tactics to make money for membership fees. Imagine the money they have extracted from all the franchise systems of this country. Doesn't the franchising industry and small business across this great nation deserve restitution and shouldn't the Better Business Bureau be fined and discouraged of ill-gotten gains? Isn't the Federal Trade Commission also responsible for some of this since they turned a blind eye when they knew or should have known what was going on? When is the Federal Trade Commission going to go after the Better Business Bureau and stop using them in their reports to justify more rule making in nearly every

industry which does business with the public? When is the Justice Department going to look into this collusion between the Federal Trade Commission and the Better Business Bureau? When are they going to investigate this? **When is the US Treasury going to send out checks for all those small businesses who gave \$300.00 checks to the Better Business Bureau over the past two-decades, due to the extortion sales tactics? Please show the franchising industry a plan and timetable as to when this will be accomplished.**

Just imagine the number of small businesses who are struggling right now to make payroll as cash flow has lessened due to economic forces beyond their control. Over 10% of all Americans own some type of small business and can be subjected to these terrorizing and extortion sales tactics. Most franchisors have many franchisees that are members of the Better Business Bureau; this costs franchisees each year and cuts into the profits of the franchised units.

We have put this line of text in our franchise agreement:

5.1 You may not join the Better Business Bureau as a business member as part this franchise with us.

I am very serious about this issue, having been lied to by Better Business Bureau representatives for the last fifteen years and when I called to see if things had changed. I was hung up on by the Better Business Bureau in Washington D.C. when I called to discuss this issue by a director with a lisp. The Federal Trade Commission will not do anything about it for fear of losing a partner, one they so need to further justify their existence at the consumer protection division of the Federal Trade Commission. If the Federal Trade Commission will not look into this, why do we need a Federal Trade Commission or a Better Business Bureau in the first place? The more we look into the FTC and BBB the more we see.

I have received several emails from concerned business people;
Bob writes:

That's really interesting, isn't it? One government bureaucracy is using what is "supposed" to be a free-market entity to do the dirty work that they themselves don't have the Constitutional backing to do in the first place. Then, by not holding the Better Business Bureau accountable for its fraudulent practices, it is basically saying to them, "you are a brother government agency - one of us - , free to terrorize whomever you want".

I always thought that the Better Business Bureau was basically a private organization that served as a watchdog, with a membership of businesses that could self-police. Apparently, I was wrong.

This is a nationwide problem not just a few rouge sales people in one part of the country or one of the Better Business Bureaus 128 locations. In Atlanta Mr. Lee writes:

It's not just with franchises.... We get calls at our company stores in Atlanta, NYC, Chicago, and Birmingham with the exact same sales pitch "blah blah ...we've been getting a lot of calls about your company from your prospects, and we don't know what to tell them because you're not listed with us."

It seems like a total scam. I often feel stongarmed by them. Do you mind if I share your email with our attorney?

Other people are also concerned with these issues, iCop Founder writes:

You certainly don't need to convince me! I know first hand that everything you're reported here is true. I have personally received the exact same treatment from the Better Business Bureau in California. I had to threaten to sue them to get them to stop calling with the threats and harassment.

A few years ago, when I had a complaint about one of their big name "sponsors" who ripped me off to the tune of several hundred dollars, the only response from the Better Business Bureau was, "They said they didn't so it." This in spite of the fact that I had sent them undeniable proof! What is wrong with THIS picture?!

Unfortunately, I have no idea that anything can ever be done about it. They are protected by the government - as you have already found out. I did write a series of articles on it a couple of years ago. Maybe it's time to rerun them! Apparently, the only thing we can do is educate people and warn them.

Pretty much like the Mafia making you pay for protection under threat, eh? But then when Quest is listed as one of their corporate sponsors, you have to know something's very wrong!

Sorry we can't be more help but it's way too big a scam for iCop! When a government supported company like the Better Business Bureau acts like nothing more than thugs, it's hard to be surprised at situations like Enron and Worldcom.

But that is not all the smallest of small business also have been harassed, Greg Spunk writes about this from San Diego and an office now in Phoenix:

We have not joined the Better Business Bureau in either the Phoenix or San Diego locations for similar reasons. You just verified what I already felt was happening. They are of no value to us and we have not missed them.

In Pittsburg a small manufacturer writes in to us and says:

the same thing to me. "someone is calling about your business and we aren't able to tell them anything since you aren't a member...."

It was \$465 dollars to join, and they called and called and called. I declined since I didn't see the point.

How are things on your end?

Get that article published somewhere, it is great info.

We received this from Albuquerque, NM;

It happened here for 6 months, same speil, We have been getting calls for your business etc. Finally I told them that I was not interested and to stop calling or I would call Santa Fe and talk to the DA. Susie

I received this email from one of our own franchisees this week:

“The Better Business Bureau has called us and even after telling them I was too busy to make an appointment (after several calls), they dropped in when I wasn't home and told Gino I had made an appointment. NOT TRUE. What's up with them, I told them we were too new to join yet, we had to watch our cash flow. What's up with them?”

Franchisees coming into the market and having been laid off need to watch ever penny they spend, if the Better Business Bureau uses forceful tactics, then they are of detriment to the success of a new franchisee that is on a budget to get their businesses going. Then they show up at a personal residence without an appointment? The sales people are so aggressive and hound small businesses. What happened to privacy? Is the Better Business Bureau resorting to new tactics after the recent telemarketing law became effective? The Better Business Bureau was told by our franchise that they were not interested after several calls, so they show up at their house? I am sorry but isn't this pushing it a little, general harassment? Yet no one will enforce these issues.

If any other Small Business Person, Chamber of Commerce, SBA office, SBDC or franchisor are having this problem, I would sure like to know, we wish to pursue this, even if the Federal Trade Commission fails to protect the small business consumer. Yes we are busy too, but that does not mean we can allow this injustice to continue. This is unacceptable behavior and the Better Business Bureau should be disgorged of these ill-gotten gains. These monies should be rightfully returned to the businesses and the Federal Trade Commission should not get a dime since they are in cahoots with the Better Business Bureau and are allowing this to continue for years on end. The Federal Trade Commission and the Better Business Bureau should stop throwing stones at franchisors and their franchisee team members.

It is for these reasons and these reasons alone that I wish any reference to the BBB or Better Business Bureau to be stricken from this report as any findings, evidence, association or information do not lend them selves well to justification of a need for more over regulation in the franchising sector.

Always walking the walk, and writing to right things,

Lance Winslow

The Car Wash Guy



From: Lance Winslow
Founder
WashGuy Systems
74-478 Hwy 111 POB # 378
Palm Desert, CA. 92260

November 9, 2004

By Email; Tracking IP number into GrayWolf System with electronic receipt.

Office of the Secretary
Federal Trade Commission
Secretary, Federal Trade Commission, Room H-159 (Annex W)
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Public Comment: "Franchise Rule Staff Report RF511003"

Re: DISCLOSURE REQUIREMENTS AND PROHIBITIONS
CONCERNING FRANCHISING
Staff Report to the Federal Trade Commission and
Proposed Revised Trade Regulation Rule (16 CFR Part 436)

Comment on the Federal Trade Commission's assertion in this report that the Industry needs more disclosure in a time of heightened Homeland Security. Information of this type might be and may have already been used by International Terrorists who wish us ill.

Dear Sirs,

Thank you for allowing me to speak on an issue that is not often discussed in franchising. Your report indicates a need for increased disclosure, however I see an unintended consequence here with this trend and thought process at the Federal Trade Commission. There is a problem in the current disclosure documents which give away too much information to those who might attack our country. If we make these current franchise disclosure documents a permanent fixture in franchising then we are permanently opening ourselves up for further attack on our citizens, infrastructure and country which could cause dire consequences.

Although not a lot has been talked about on this issue, I am glad you bring up the point of disclosure documentation in franchising, I have extreme concern over the information that is to be disclosed if it lands in the hands of international terrorist. For instance, our units contain spray rigs, which contain fresh water to wash things with, but in the hands of a terrorist they could be deadly. Such spray equipment and a little re-engineering could be used to spray biological weapons, pollute water supplies or kill our children in schools. We are not the only company with such equipment in franchising and our equipment is not as well suited as other franchisors who are in the lawn care business, with already adequate spray tips, onboard chemical mixing tanks, higher volumes of output and larger tanks. We are careful to watch who gets a copy of our UFOCs, yet we are finding more and more states wish to put them online, some franchising websites make it easy to buy them online. All of this massive unnecessary disclosure or MUD can be acquired with a few clicks on the Internet. All of which the Federal Trade Commission is requiring to be included in the disclosure documents, such as a list of every franchisee and their address.

Now, as I see in this potential rule change, you want me to send a UFOC with all this information to someone who sends us an email and fills out a form before we know who they are by verifying ID. Perhaps you would like me to make CDROMS and send them out, or put the information all on my website. Better yet the great state of CA is putting all this information on line. Is this nuts? Anyone can send an email, request information, fill out a form on a web site and then we send them this kind of personal information about our franchise members? We have a responsibility to their right to privacy too. They are consumers and why should we be putting them at risk.

Many of our franchisees run their businesses out of their homes and therefore their home addresses and phone numbers are listed in the UFOC attachments. How can I be assured that someone sending an email or filling out a form is a real entity? I see email addresses all the time that do not match the names they are purporting on the forms. They are suspect. **Am I to call the FBI every time I send a UFOC to an anonymous person who gives me a quick email that says “Hi, I am interested in your franchise for washing aircraft out at the airport in Tampa, Florida” with the name of Abdul, Hamid, Abdallah, Rahman, Mohammad?** Well, what is your answer? You want to see my emails? I can show you such emails and information on forms coming into our company, probably nothing, but do you want to bet on it. No, I did not send out a UFOC, don't worry. But you are saying you want to change a rule or permanently

leave in place such a rule that would make me by law go against common sense and my duty as an American? FOR GET IT. Boy the FBI will get tired of all these calls if you adopt this rule, won't they. If I have to send these people or fictitious people out a UFOC as per your proposed rule, I am still going to do my duty to protect my country; the FBI will get a call. Actually isn't that government's number one job as outlined in the Constitution, to protect her citizens. Here I go again doing your job for you. Think about it who is a customer of franchising? Everyone, that makes everyone a consumer, so if you want to protect consumers you must decrease the MUD not increase it.

Many of our current franchisees get calls from franchise buyers who have received a UFOC from us. There will now be ten times as many of these calls. What about the franchisees rights and many are on the Federal Trade Commissions "Do Not Call List" yet you are forcing franchisors to put their phone numbers on these document attachments? Our franchisees, many of them operate out of their homes. This is an invasion of privacy. Worse off what if an International Terrorist starts asking them lots of questions about how the equipment works, what you can wash with it, spray with it, Gallons Per Minute, soap ratios, inline injection nozzles? We already know that someone tried to use an SBA loan to buy a crop duster aircraft to go into business in FL who was a member of Al Queda? How do you know they did not shop franchisors too? Gaining valuable information? Do you know how many ChemLawn type businesses and opportunities are available in Florida?

The UFOC contains all present franchisee's phone numbers and the potential franchise buyers call them and want to talk. Well many of our franchisees do not want people calling them. They do not want their privacy violated as it is and now the FTC wants to increase and the information given in the UFOC? Our current franchisees are great hard working families and they should not be subjected to this. Franchise buyers have a myriad of questions that can take hours Franchise buyers ask lots of questions about the equipment, etc.

Again...Why make it easy for a terrorist to call up our franchisees and ask them questions about spray rigs, polypropylene tanks, inline soap injection, mixing of chemicals, spray tips, etc. I do not believe it is a good idea for any of the other large franchisors like; ServiceMaster, TruGreen ChemLawn, SparkleWash, Truly Nolen, etc. Without going into detail on every single possible threat, why not pick up an opportunities guide such as Bond's Franchise Guide. You can buy one by clicking thru on this website;

www.franchising.org (CYA: I own this site)

and look at all the pest control businesses, car detailing businesses, pool cleaning businesses, plumbing, heating and air conditioning franchises. What about the Lawn Care franchises, all capable of spreading a bio threat. And you want us to send a UFOC to anyone who we send a fax or brochure to, or receive or return an email to without really knowing who they are after they merely fill out a form? If you still do after

reading this reason for rejecting your proposed rule change, then you are not a true American in my opinion. I have already speculated this of many FTC workers, especially now with the pressure for this current proposed rule change.

An international terrorist could simply go to a government website or get a hold of a set of current disclosure documents, read the names of franchisees and their addresses, go steal a spray unit of one of the franchised companies, kill the franchisees, mix poisonous chemicals and go on a killing spree. Why are we making it so easy? Why do we have so much unnecessary disclosure. Many Franchised Companies and Franchised outlets do service work for military bases, government, major infrastructure, schools, food distribution, power companies, hospitals, financial institutions, etc. Many franchised outlets deal with water, food, transportation, entertainment, etc. why on God's Earth would we want all this information out in the public, are we insane to think that such unnecessary disclosure is going to help the consumer? It could very well get them killed.

Even if the Federal Trade Commission thinks that this latest doom and gloom of international terrorism is a perceived and purported reality or non-event similar to Y2K, Russian Nuclear War Holocaust, Asteroid Collision, or Planet's Aligning. Why is the FTC not going along with the rest of the country and the current direction? If you truly believe that international terrorism is a façade and if that is your general consensus of the issue, how can you be so sure? Are you willing to take that risk on behalf of the entire economy in the event of another attack, which might use the franchising model as a screen or cover? This is what the Federal Trade Commission is saying by their actions to further pursue the MUD.

In every single industry these days they are enacting 'Know You Customer Laws', yet the FTC feels it in their power to make rules preventing Franchisors from knowing our customer, due to privacy concerns, yet expects us franchisors to divulge more and more information to the public? WHY?

I have mentioned International Terrorists risks associated with the current disclosure documents and hereby put the FTC on notice that they are causing a severe breach in our nations security and potential risks to the lives of tens of thousands of consumers and countrymen.

If there is another attack on this country from an international terrorist group and they use a franchised business to do it, then the **blood** will be on the Federal Trade Commissions hands and the **MUD** on their face will be that of **Massive Unnecessary Disclosure** policies.

The Federal Trade Commission should not be a linear thinker in their rule making on the franchise industry with the MUD that follows the flood of regulation. Over regulation in the franchising sector will slow the economy and cost thousands their American Dream and further ad to any decay of the middle class and economic stability

and vitality of our nation. That sure sounds a lot like Osama Bin Laden's mission. I hate to rain on anyone's parade but that sure seems like MUD to me. Whose team is the Federal Trade Commission really on? Why are they wishing to make rules which will aid and abet the enemy and could possibly damage the Country's business and financial interests while potentially killing tens of thousands of consumers? I think the franchising industry has a right to know before they are forced by arbitrary rules to get in bed with such a trend. We must stop this flood of MUD and debris now, before it is too late. This over regulation and unnecessary disclosure is insanity. It is time for the FTC to join the business community in the protection of America.

My name is Lance Winslow and thanks for listening,

Lance Winslow

The Car Wash Guy



From: Lance Winslow
Founder
WashGuy Systems
74-478 Hwy 111 POB # 378
Palm Desert, CA. 92260

November 11, 2004

By Email; Tracking IP number into GrayWolf System with electronic receipt.

Office of the Secretary
Federal Trade Commission
Secretary, Federal Trade Commission, Room H-159 (Annex W)
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Public Comment: “Franchise Rule Staff Report RF511003”

Re: DISCLOSURE REQUIREMENTS AND PROHIBITIONS
CONCERNING FRANCHISING
Staff Report to the Federal Trade Commission and
Proposed Revised Trade Regulation Rule (16 CFR Part 436)

Overall comments and specific issues on the Federal Trade Commissions Franchise Rule and the Franchise Group in general as it relates and adds to the quagmire of over regulation causing increased litigation which is choking this country and stifling free enterprise and innovation.

Dear Sirs,

For those of us deeply involved in the day-to-day operations of a franchise organization it seems rather obvious what is happening here in hindsight and looking at the bigger picture. You see franchising is a win/win situation and it is a relationship much like that of a marriage. Communication is key. We know that litigation is the lowest form of communication, yet this franchise rule promotes litigation and lawyers and not the relationship. The franchise disclosure promotes hate and distrust within the organizations and is sufficiently vague enough, even within its voluminous disclosure (MUD-Much Unnecessary Disclosure) to provide endless jobs for the franchise group at the Federal Trade Commission, lawyers (S2P2s; Self-Serving Parasites of Planet) specializing in franchising and those who work in and around the court system.

It starts out like this;

Jim and Sally run a successful auto business, which they have built up over two decades and have expanded to three stores and many of their friends keep saying, “You should Franchise.” They think about this for about five years read a few books, like “Franchising for Dummies,” The “E-Myth”, “The Franchising Bible” and many others on the shelves of the new big book store in town with the coffee shop inside. They finally decide that it makes sense especially as they have friends and loyal employees who wish to be associated with them and even own the first franchises. So they set out to franchise. They visit an attorney since that says in all the books to do. Most books about franchising are, at least in part if not whole, written by S2D2s anyway, so they take that advice and visit an attorney. The S2D2 explains the MUD and helps by charging them a good chunk of change; \$35,000 to prepare a boilerplate document which is so complicated they could not do it on their own without years of study. They give the S2D2 (scoundrel) the money and they look at the document and start asking questions. They do not ask him about the price gouging laws that their state has after all the flooding from the remnants of Hurricane Ivan, although they feel severely violated in the outrageous costs to prepare the documents. After all there is some new shop equipment they need to test cars to stay in compliance with the latest smog certificates and they are not cheap either. So they ask some typical questions instead of why they had to pay so much.

“But Mr. S2D2, we want to be fair and give this and that assistance to the new franchisees, Bob and Margaret are long time customers of our shop and friends. Joe has been working with our company seven years and they want to buy the

first franchises. The S2D2 explains that the Federal Trade Commissions Franchise Group is doing this for the consumer's protection. Jim and Sally understand this but what is all this about termination, litigation, arbitration or mediation? Why does it say we may give you this and that, of course we would support Bob and Margaret and Joe they are dear friends of ours and it is our name on the building, of course we are going to go out of our way to help them."

The S2D2 says, "yes, I understand that but this is for your protection too." Sally says, "great but, it sounds so vindictive and mean, why would anyone sign it?" The S2D2 says "there is much case law and history as to why these things are in these documents and they are to protect you, that what you are paying me for." Jim thinks to himself, we are paying you to pick a fight with our new franchisees and long time dear friends. Attorneys are A-holes. They are our worst customers at the shop and I will never forget that time a one-week temporary worker hurt his hand because he was not paying attention, then sued us. Even though it was on his way to work or so he said, we had to fight the case, we won but it costs us \$17,000, gosh, I hate attorneys. Jim just gives a slight aggravated look and gazes towards the window over looking the river and much of downtown. How can anyone call what this guy does work?

So Sally looks at the cover page and the second page and the third and it says: "This sounds mean and ugly almost vindictive." The S2D2 says, "this is to protect you, franchising is very litigious." Sally: "But these are our friends." She looks at Jim and gives him a look, what are we getting ourselves into? The attorney also has an interesting look, a grin. Knowing that soon he will have much work defending them in lawsuits, he thinks to himself; gotta love these entrepreneurial suckers, so naïve thinking they are going to do good in the world, help people get into business and make money at the same time, living in a dream world, oh well thankfully they do exist, although I am noticing a decline in such folks over the years, but this is live bait, and I will make all I can while they still have money. The S2D2 then starts smiling as they leave. Knowing he can return the favor to some of his fellow attorneys nearby who specialize in divorce law and bankruptcy, etc. He has seen it before, good companies franchise and then the lawsuits, divorce and bankruptcy, he can smell it. He does not think more than a second or two that he and his S2D2 are the cause of all of it. Even if we are, we deserve the money, we are smarter than everyone else, have spent years learning all this dribble and besides I need another new BMW and the golf membership is coming due. Must keep up with the boys to continue to get those referrals.

Jim and Sally are having second thoughts, but are committed to the plan and already have the first three franchises sold to family, friends and loyal

employees. “We promised Jim, we gave them our word, they are counting on us.” “Yes, but Sally, I really hate attorneys, they seem so cold and they don’t care, look at what he is charging us?” Sally says, “yes I know, but if we sell enough franchises we can send our kids to law school, that is where all the money is, look how hard we work to build a business and that fat cat attorney, just sits in that office with the view and works a few hours a day and that paralegal in the back seems to do all the work.” Jim observes; “You know Sally, I really want to do this, we have worked so hard. Hey did you notice the way the secretary was looking at the attorney? I think they have something going there? Well maybe he is doing the paralegal too?” Sally says “ yes I think you are right about the secretary, but the paralegal is definitely gay, you really think so?” Jim says, “Heck, yes, he seems like the squirrely type, I do not trust him.” Sally says “But, Jim you know his wife is a VIP in town? I agree with your comments did you notice how fast the attorney took you up on that offer too give his car free service?” Jim “Says, well the lawyers are a necessary evil, we ought to double the price whenever they come in with cars to the shop.” Sally says, we ought to deny them service, so they do not try to sue us.” Jim says “Yah, but there is probably some law against it and then they really would sue us, maybe we should just defer to Caesar on this one?” Sally agrees, “Caesar was Right!” Jim shouts, “Take no prisoners, kill them all, ha, ha, ha.” Jim gets on the on ramp and lets all 455 cubic inches roar. “We’re gonna pass everything but a gas station from here on out!”

The next day, Jim and Sally are over the negative observations and Jim says “Well now we have the documents let’s go visit our future franchisees, finally after four months of paperwork.” Sally smiles. Jim says “you know I love you honey, we are finally going to do this.” Sally says “good, for a second I thought you had the hots for that paralegal, he was sure checking your rear end out.” Jim says “oh great! But I think I am more worried about his boss trying to screw both of us in some bizarre three-some.”

You see Mr. Federal Trade Commission this is how it all starts, it all starts out on the wrong foot. Why? This MUD is clouding the reasoning and strength of franchising. Franchising is a win-win situation, when it is buried in MUD it creates an adversarial relationship from the beginning.

Jim and Sally are ready and they call the attorney to make sure it is okay for them to visit the prospects, who are already to sign up. The attorney says well, wait a minute we need to discuss this, because there are rules of disclosure and

you should also think of setting up a sales department and have forms for compliance.

The cold electronic like S2D2 right on que says; “tell me about these prospects.” Sally says “oh they are so very nice. First; Joe has been a trusted employee for years and knows everything about the business and he has a partner and his parents are putting up the money for the equipment for part ownership and helping him qualify for the lease on the building, he already has a location picked out, the same one Jim and I were going to put our fourth store, before we started to franchise instead.” Well that is very nice the S2D2 says to Sally “incidentally Sally where do his parents live?” Jim says “They live across the river in IL and his partner is from MI, he will be moving here once the business gets going.”

The S2D2 is salivating understanding that MI is a notification state and IL is one of the three worst states to do business for franchisors, some franchisors have even gone to the length to say that the state of IL is on drugs like those ‘fruits, nuts and flakes’ at the California Department of Corporations along with the rest of the population of girlie men in and around San Francisco, although everyone likes the new ‘Governator’. The S2D2 says; “well Jim we have a slight problem.” Jim thinks to him self, uh oh, he remembers, ‘ah Houston, we have a problem’ and then says; “What, it is all set up, the parents already sent a check to Joe for the first and last on the lease and he signed the lease this week, Joe already gave them a deposit.” The attorney says “well we need to slow down, first Jim and Sally I do not know how to break this to you, but MI has to be notified that you are offering franchises in their state and IL needs full registration, I of course can do all that for you.” (huge smile comes over the S2D2, even feels a tingle in his thing and winks to the paralegal as he reaches for his member in a display of manliness, similar to the movie ‘Wallstreet’ or ‘Boiler Room’.)

Looks like the S2D2’s golf membership is in the bag after all he thinks to himself; Sushi tonight, hell for the rest of the week, why not. This is going to be great; he thinks just maybe; I can sneak off with Liz, the secretary, for the weekend and tell his wife it is another very important rule making session in Las Vegas for the Federal Trade Commission’s Franchise group where important franchise attorneys from all over the country meet to discuss the franchise rule which has had no changes in 10-years. It has been documented that law enforcement officials, judges, policemen and attorneys are the most likely professions to have extra curricular affairs with either members of their same sex or the other. (Source: Netscape News Online Oct. 2003).

The S2D2 says to Sally and Jim, “The registration for IL could take up to several months, if everything goes perfect.” “Several Months” shouts Jim. “Yes, well this is nothing compared to Cal-if-forn-ia.” Explains the S2D2 and goes on to say; “our standard fees are \$10,000 to register in IL and we can probably do the MI thing for a thousand plus fees.” Sally says “But, we are not are only charging \$10,000 for the franchise fee to begin with and we are not franchising in IL or MI, surely not for a couple of years, we have a strategic plan to ‘Start Small and Finish Big’, besides we want our first franchisees close by so we can help them, running a business is not easy you know and we need to be available here.”

The S2D2 changes from friend to father daughter mode and in a voice only grandfather’s use he says; “Dear Sally, I think you are misinterpreting what I am saying here, I understand you are not franchising in Illinois right now or even Michigan for that matter. But the people involved in your franchise have partners who will have interests in the franchise who live in those states you see and that requires you to be registered in those states or in the case of Michigan to notify you are offering them a franchise.” Sally says “but we are not offering them a franchise, we are offering a franchise to Joe our employee. Who is already to start and we want to give him that ‘UFO thing’, the U-Fuck, I mean U-fock as you call it, you said they have to have it for ten business days and there is a holiday weekend coming up and Joe wants to start ASAP, he has been buying new tools like mad from the Snap on Tool guy, he is so ready, he wants to get busy and make money before the 30 day bill comes in for all those tools.” S2D2 explains, “Sally, I understand your frustration, but that is the IL law. It doesn’t matter, what you think the law says or what you have worked out with Joe of your own free will, you are in a franchise now. Also Sally remember about the master lease clause and additionally if Joe’s parents pay for the lease and are a partner in the company and their residence is IL then we already may have a problem. We will disclose this to the IL registration people, but it may delay application since technically we are in gray area and as per law a technical violation. Meanwhile see if Joe can get his deposit back so you can sign the lease and sublease to him. Also in your franchise agreement we agreed that site selection was part of the franchise fee.”

Sally says “well we do not need to do site selection because we were going to go to that shop it is a great location, besides since Joe is a long time employee we are giving him a discount.” The S2D2 is so smiling now seeing as they have been on the phone nearly 45 minutes at his billing price of \$150 per hour and he loves to round up, over billing may not be his middle name, but definitely in his family tree are the family names of White and Waters, he continues smiling. The S2D2 says “you cannot give him a discount if his parent partners are from IL and you have to offer the same exact deal to everyone in IL and it will severely

jeopardize your future franchising in IL.” Sally enraged starts to say something, “This is b-,” but doesn’t she just is thinking how much she wants to kill the adulter’ing, over charging, scum and S2D2 (Sally thought this not the author of this truly purely fiction story) for not explaining all this ahead of time, they promised Joe. Jim and I honor our word and besides we are about to open the new shop and Joe has waited for this and we are over loaded with business as it is, even if we opened the shop ourselves either way, it must be opened to meet customer demand, we just cannot wait, no way.

The S2D2 feeling the tension, which usually brings him his best money clientele, says quickly. “Okay, I think I can work through this, we will figure it out, why not come in tomorrow to talk about it?” Jim says “We can’t, we are stacked with cars at all three shops, down two mechanics and Joe will be gone to MI to talk to his soon to be partner. They are going fishing, Joe needs some time off.” The S2D2 says “well tell you what let’s get your bill paid current and we can meet, I have time next Wednesday, (six days away) meanwhile tell Joe to hold tight on the meeting, wait on the disclosures, see if Joe can get out of the lease deposit or transfer the deal to your name. Tell Joe to alert his parents that he will not be cashing the check until I can call the states of Illinois and Michigan and get those documents in there.” The attorney knows some folks in Michigan from college to drop names so he figures he can easily get the exemption for making an offer but not selling yet, as he remembers reading something in the regs on that a few years ago. Illinois will be a different issue, he has to think on this and be careful not to get himself in trouble.

Jim says “we have to wait another week?” Jim thinks to himself, do I have to call you when I need to use the restroom too, you would probably like that to hold me and help me aim, he decides he will just be quiet and listen? The S2D2 says “Yes, Jim, I am afraid to say yes. And meanwhile contact an Accounting firm and make sure they do audits.” Sally says “but, you said we did not need audits for two-years?” The S2D2 says, “Well yes that is true but you are franchising in IL now, they require audits. Unless Joe has another way to do this business on his own?” Sally says “I’ll ask him, but I think he has no credit, especially after his divorce two-years ago, his wife ran off with an attorney.” The S2D2 sensing some hostility being aimed his way says “I am sorry to here that, but maybe you can figure something out, maybe there is another way, meanwhile. It is 5:30 pm and I have to take my daughter to Harp Lessons and then to the Batmitzvah rehearsal, we are so proud of her. Besides we have been in high time billing for 30 minutes. Tell you what I will work on this first thing tomorrow, get your bill caught up, check on the CPA firm, I have a friend who does a little of that if you want a name?” Sally says, “NO, we will find one.” Jim says, “thanks for your time, we will do what we need to do.” The S2D2 says

“Don’t thank me, you are paying for it.” Then he turns to his secretary and says, my wife can take the kid to piano lessons or whatever it is she is doing, would you like to have drink Liz and they roar off in a BMW paid for with a little tricky accounting and double billing to clients and a few thousand copies at \$.50 a page.

The next day Sally calls to find an accountant to do the audit, she calls the entire yellow pages and even uses the new South Bell owned online yellow pages, no one wants to do it. Most tell her it will be tough with the new Sarbaines Oxley law all the accountants are busy and most no longer do audits, too high errors and omissions insurance costs, due to too much litigation, too much liability and getting peer reviews is now triple the time to complete, along with their costs.

Sally is very upset. Joe was upset because he cancelled his fishing trip wonders if his investor friend will be angry. He is also upset since Sally asked him if he could do the business without his parents, now wants to reverse the lease and thinks that Sally and Jim are going to try to open that new shop without him. Joe can’t wait, wants to start. His partner wants to move from MI before winter sets in, the delay will mean he will come and want to get a paycheck before the business is ready to pay for two owners salaries. Joe needs both his parents and partner to make his dream, of owning his own shop a reality. So far the attorney is the only one who is making any money. Sally is on everyone’s bad list and Jim is having ulcers again. So stressed out he actually yelled at a customer again today, he never use to do that, that was way out of character, Jim loves his customers. Sally is determined to work this thru, she will call more accountants on Monday, but from the word she has gotten it will be another \$35,000 to do the audit and take minimum of three months, that is if someone will agree to do it and if the costs do not go up again, as most accountants are really not interested in this type of work for anything but Fortune 500s. Sally knows three months is unworkable for Jim, Joe or even her, they need the new shop now. Joe is pissed at Sally, even though he knows it is not her fault. Jim is mad that Joe will not be patient and Jim is mad at Sally too and now he hates attorneys even more, he thinks they should all be killed, but also knows, it really isn’t even the attorney’s fault, it is the regulations he thinks, all these stupid rules. Joe thinks of all the rules he has to deal with already, all the agencies all believing they are so important and all the possible ways he can get sued, he runs a quick list in his head as he thinks knowing he cannot possibly remember them all and knowing that anyone of them can shut down his business. The constant stress, let’s see in my auto shops, I have to deal with OSHA, EPA, DOT, IRS and things like SARA, RCRA, HazCom, VOC, MSDS. There are more than 100 different agencies that the owner of an auto shop has to deal with. Just some of the necessary permits needed; Burglar Alarm Permit, Building and construction Permit, Occupation Permit, Conditional Use Permit, fire Protection Permit, Hazardous Materials

Permit, Generator treatment permit, Underground storage tank permit, Accidental release prevention permit, Above ground tank permits, Land-use permit, Storage Tank Permit, Underground tank monitoring plan, SB198 Safety Plan, Zoning Approval, Landscape Authorization permit, noise Permit, Industrial water discharge permit, Business Personal Property County license, Fictitious name Filing, Public Health Permit, Weights and Measures permit if gas is sold, Cradle to grave form on all chemicals that are classifiable, Waste management Plan, Certificate of Disclosure of hazardous Substances and Plan, as well as other things like a Corporations number, Tax ID Number, OSHA plan, I'll stop here, but they don't. Oh crap the phone is ringing, damn lawyers, damn regulators, we ought to bury them upside down for those new bicycle racks the city put in next to the bus stop in front of my shop while imminent domain'ing my much needed parking area. Damn government. Urrrrrrr!

Note: Jim is a fictional character he thought this, the author of this story on the other hand loves wonderful government agencies, adores lawyers, and likes to participate in government rule making, because it is a worthy use of time and is extremely pleasurable?

Jim settles down he thinks the S2D2 is just doing what all attorneys do, that is their job description, it merely justifies all the jokes he and his crew tell in the shop, but everyone already knows this anyway he decides. Who thought of all these stupid laws anyway? It just makes no sense, it is just like being stuck in his four-wheel drive as a kid in the MUD.

Meanwhile the attorney is at a franchise convention (wink, wink). The franchise attorney has no clue what to do and gets on the ABA forum online system and describes the situation and asks what to do, hoping someone else on the board has worked thru such a mess before, knowing every deal is gray and nothing is black and white and if no answer comes back by his return over the email, he will figure something out, after all that is why they pay him the big bucks?

Liz rolls down the window cruising down he strip in Paradise City, the wind blown hair and a glance towards the S2D2 and he knows this is going to be one hell of a night. The S2D2 thanks his lucky stars and thinks a little thanks goes to Jim and Sally and that Joe character, whoever he is. Oh and thanks to the over regulation and miss-coordination of the Federal Trade Commission and states like IL. He thinks also may be one day he might just actually go to one of those Franchise Rule making meetings, maybe he will rifle off a letter, or have his paralegal write it while he takes dictation? (no pun intended). He wonders who

ever goes to these meetings, after all Jim and Sally are too busy and the Federal Trade Commission has them in the stupidest places anyway. Just then Liz turns again and says lets go here, lets get a room with a Jacuzzi over looking NY, I love green. The S2P2 thinks, well I love green to, even if this one is only a building. He pulls in all smiles knowing there is a lot more money for more trips like this where that came from. Jim and Sally are becoming quite good customer, a couple more like them and he can go into semi-retirement, maybe become a wine collector on the side. He flips the valet the keys, a ten spot and off to the suite they go. He follows Liz in, what a body he thinks, he has totally forgotten he is married.

Too be continued...

One of the biggest questions is; How can anyone really say that all this over regulation helps anyone? In this example no one was helped by the regulations except the attorney and yes I was a little hard on them, but they are grown up they can take it, besides they dish out too, just look at the litigious society we live in. I would not be surprised if someone sues me for merely pointing that out in this letter. This story, scenario is not all too different than those in real life. After setting up franchises for 8 years, I cannot think of more than a few franchises, which were set up exactly in the perfect black and white way in which the Federal Trade Commission envisions when reviewing these rules. Every deal, territory, jurisdiction, franchisee is different, none are identical and certainly in the beginning franchisors are forced to get the ball rolling, make deals and to do what works. There is nothing dishonest or fraudulent about that, it is the nature of buyers and sellers coming together in free markets to make it work. These scenarios as shown in the story are an example of what your patchwork of botched regulations and inability create relevant regulations do to real people who really care and wish to participate in their right to free contract. Real people, entrepreneurs who wish to pursue their vision of happiness, not your vision, but rather their choice. Over regulation makes choices for consumers and businesses in advance and against their will. Last time I checked the government had no crystal ball as to all the possible futures in franchising, industries, economics, discovery, innovations, business models and consumer desire. At best the Federal Trade Commission studies trends, however it is a wonder that they cannot see the trend of over regulation is killing America, why are you killing my country. Why are we allowing ourselves to be divided into the United Countries, where IL, CA, MD, NY, WA, HA all feel it necessary to deviate from common law, common reasoning and common sense? Meanwhile a Federal Agency like the Federal Trade Commission, which clearly admits of the 350,000

franchise outlets, they only received 105 complaints between 1993 and 1995? And how many of those complaints were even legitimate ones?

I recently talked to an **NASD regulator who said that 75% of the complaints filed were frivolous, bogus or someone not wanting to take responsibility for their actions.** Wow, 75%, that is high wouldn't you say? Is the Federal Trade Commission acting upon real complaints to come up with these new proposed rules? Or are the complaints you base your needs to make the rule simply 75% bogus. Are they 80% bogus, 85% or maybe only 70%. If the problem is really only 30% real or 15% real, then is that a significant reason for making a rule? No, obviously it is not. You are letting bogus complaints get the best of you at the Federal Trade Commission, just like you are allowing such bogus inquires to get the best of franchisors.

If you take 105 complaints and calculate that 75% are fake, then that only leaves about 26 complaints. So if we have at the Federal Trade Commission 26 actual and legitimate complaints of actual violation of Disclosure Laws between 1993 and 1999 and we know that 350,000 franchised units have been sold? Does that even resemble an industry, which need to be further regulated? Only lawyers could develop a whole sector of law out of 26 total complaints in nearly a decade? Unbelievable, is anyone looking at the reality of this situation, this over regulation is killing America, knock it off, we need to reduce the regulations in franchising. And if you are to claim that this obsessive MUD along with the Federal Trade Commission's excellent leadership has saved the consumer from fraud you are wrong, because no fraud exists in the first place. Instead the Federal Trade Commission has impeded the franchising model and hurt America's growth and it has destroyed the futures of so many Americans who could have owned their own business. In addition the over regulation and ambiguities of the complicated regulations which tries to encompass and pigeon hole some 72 industries now being franchised has lead to a market filled with litigious road mines killing our troops in franchising. Therefore someone needs to stand up and say enough already stop congratulating yourselves.

I therefore write these letters and stand up and say: **“Enough Already!”**

The Federal Trade Commission has stifled free enterprise and this over regulation, Elliot Spitzer effect, Bronze Star for every whistleblower, and Marta Stewart witch hunting has no business in franchising. Jim and Sally and Joe are not hurting anyone, they are not fraudulent, they are trying to run a business and provide much needed services for customers who desire said services and are willing to pay them, so they inturn can succeed, send their kids to college, buy a home and in doing so build a business? Why all the over disclosure? We are making exemptions for larger franchisors and then crushing the up and coming folks with the high energy and in the game (zone) mentality, that level of hard work and vision is what delivers this great nation our most valuable innovations.

[End of first section, please turn page.](#)

I will take this opportunity to comment on the various proposed changes in the Items on the UFOC, which the Federal Trade Commission wishes to include and comment on the rules changes the Federal Trade Commission wishes to make as part of their goal to clean up the MUD:

10-Day Cooling Off Period Rule:

I would like to comment first on the 10-day rule. I agree that if such a rule is to remain in play that it should be a number, which is easy to figure out, due to holidays, state holidays, semi-holidays, which are different. If you are going to keep the cooling off period rule, then two weeks is a better idea for clarity so I concur with the commission. However I warn the commission of leaving the rule in place, I believe the rule should be lowered to one week if not entirely and immediately dismissed. Why? Well because the consumer does not really want any more barriers to buying a franchise. They do not like the 10-day waiting period, which ends up half a month with holidays. They do not want to go through a long sales process. They want instant gratification and they want to start their new career/business and embark on their new chosen lifestyle. All these regulations have complicated the issue and made it tougher to buy franchises, all to the frustration of the consumer, the economy and jobs in our country. I refer to the story of Joe, Jim and Sally to illustrate my point.

Tell me did anyone ever take a survey of the sales process and large documents of given out during their purchases to existing franchisees and ask them what they think of the whole mess, which has been created to supposedly help them? Has the Federal Trade Commission done this? NO, of course not. Yet, I cannot think of a franchisor, which does not constantly survey their end users of the franchised outlet for the desires and events leading to a sale of goods or services and on all those surveys they always ask the same things. Did you feel that all your questions were answered, were you happy with the buying process, were your needs met, etc? Why doesn't the Federal Trade Commission ask real franchise owners what they think of all the paperwork, large documents and rules? Simply taking the information from lobbyist groups of franchisee advocate rabble-rousers will not do it. Taking Internet complaints will not do it. Ask the actual franchisees already in the systems, the good franchisees, which follow the system. By making more rules you are actually hurting the franchisees, lengthening the documents and impeding the process of allowing franchising to fix America's problems thru simple real world free market fundamentals. DAH! This causes new case law, more stipulations and boilerplate

phrases all adding to the length and complexity of the documents, agreements and buying process and thus only helping the S2D2s.

The ten-day rule was taken from the life insurance industry. I cannot understand why a person can go out and buy a new Turbo Porsche for \$200,000 and it is a done deal. Recenssion of contract period is only 3-days. Apparently the Automobile industry has a stronger lobby? Let's get real. This is a dumb law? Who got the wild hair up their butt in the first place, can anyone remember why we have that rule in franchising or who put it there? It does not belong there in the modern day of business at the Speed of Thought. We allow people to gamble away entire life savings at casinos without a ten-day peak at the future, why the arbitrary rules in franchising? We are the greatest industry in the world, providing jobs, innovation, and efficiencies to a world, which needs more Umph! We are looking at problems of global recession, yet here in the states we are our own worst enemies impeding the flows of commerce? Why are you impeding our cash flow with the 10-Day rule? Why are you causing franchise buyers anguish when they are trying to juggle finances and timing is an issue in the qualifying for financing of the franchise?

Listing Litigation Filed By a Franchisor:

Look this is a dumb idea. First of all putting dirty laundry in a UFOC is bad business, the more that is there the worse it is for the brand name and the future franchisees psyche going into a new business. It creates fear, it closes communication, it makes the franchisee more apt to hide problems during franchisor visits to the franchised outlets, it is not good. Having a little bit of litigation history which is relevant to the future ability of the company to fulfill it's duties might be worthy, probably not, but possibly. Perhaps a little history might be of value, but it is not that big of an issue really.

Second off I have never filed against a franchisee in our franchise, but if the franchisees know that, well then they will take advantage of the franchise relationship, it is human nature. There are numerous times I have let a franchisee off the hook, because it seemed like the right thing to do and because I did not wish to spend my time or money in court or paying S2P2s. I chock it up as experience and move on, besides the time is better spent moving forward, building creating and uniting, that is where the strength is in franchising. Now then if this rule is enacted, my franchisees will know that we are push overs, that even though our franchise documents have teeth of steel, we never file any lawsuits. So if it enacted, then I will go out immediately and start some lawsuits

and sue franchisees who have violated our contract and gotten away with it, I will have to pick a case I can win easily and quickly for a high dollar amount, I can think of several. I have every right to do that and I will when and if this rule is changed, so I can include some litigation filed by the franchisor in my documents. These are your Federal Trade Commission consumers and they are toast. Is that what you really want? Isn't it better to work things out? But if the franchise documents have no litigation from me, then I guess I better get some to show strength as it is a common and well known fact it is best to negotiate from a position of strength.

If a franchisor is thought to be weak, then the system can too easily be torn down. Isn't that why the Federal Trade Commission files cases against franchisors? I mean you have documented no fraud in franchising, yet you are filing cases, to show strength right? Isn't that why you grandstand in the media all these cases yet never fix the real issues? Examples: Runaway Identity Theft, SPAM, Spyware have all increased since the Federal Trade Commission got involved. You should not be let off the hook for dereliction of duty, no matter how many cases you file. I think the problem is really at the Federal Trade Commission not the franchising community, we have documented this in our letters and comments. Aristotle talked about this in the 'Republic' of making examples of people often to keep control, yet isn't it easier to come clean at the Federal Trade Commission, de-regulate franchising and go find some real fraud, such as that which is common and well known? And really my SPAM is still increasing every week.

Earnings Claims:

On page 26 the Federal Trade Commission made reference to a potentially gray area of this rule and said they believed that a statement such as: "You'll make so much money you can buy a Porsche!" is an earnings claim and maybe it could be considered that, yet are we really interested in regulating normal human interaction? I mean we already have such a sterile world as it is. People are afraid what to say for fear they might get sued? This breaks down communication. Adding to this you wish to regulate such common conversation? And if a picture is worth a thousand words then what is an advertisement, which has a franchisee next to his house? Did he purchase that exact house through his franchised outlet or was it left to him from his folks or did he buy that house during his many years as an executive at IBM, Lockheed, 3M or Microsoft? You can't use those pictures either then. Are you sure you wish to get into all this, this is a slippery slope.

I agree with the commissions comments on the right of the franchisor to determine if they wish to give earnings claims, but also warn the commission that someone can claim that earnings claims were giving, and file a claim even if they were not, the franchisor would have to defend against the claim and also put that in the UFOC such bogus and frivolous litigation, not to mention the cost to defend from the S2D2s and may I ask why the burden of proof is always on the franchisor? What happened to presumed innocence? The burden of proof should not be on the franchisor, but rather the accuser. Is Mary K Cosmetics guilty of rallying people in pep rallies that they will soon be able to get a 'Pink Cadillac'? Investment Advisers often have prospectuses and or brochure combination, they use from Mutual Fund Companies, which are approved by the SEC, which show kids going to college or holding a degree in a cap and gown? Obviously indicating that if you make such an investment you can send your kids to college, yet there is no way to know that in this age of economic uncertainty or in this age of over regulation and terrorism (sometimes the same thing). Will this effect the trend to have some of the Social Security which may be invested in the private sector open for litigation from the companies who will be offering to invest those funds?

Show me one ad in Entrepreneur Magazine, which does not indicate some type of financial reward on it with pictures. Are you going to stop all the 500,000 Biz Op Internet Sites from doing the same thing? Are you going to not enforce this on BizOps where fraud is known to exist, yet enforce it on franchises where no fraud exists? It appears that normal human interaction will be muffled and motivational pep talks and coaching will be curtailed, this is horrible, not to mention the ugly ads if all these cool sports cars, yachts and custom homes are taken out. The Magazines will have to put the ads on the back sides of articles instead of the fore side pages and then they will sell less advertising and thus there will be communication loss that way as well, less consumer choice available and higher magazine costs as supply and demand will limit the number of publications (regulation always has a runaway effect).

So far in this report we see regulations causing friction in the franchise relationship at the most crucial time of courtship, how on Earth is it to have a long and fruitful marriage. Jim, Joe and Sally story is merely a glimpse. It is difficult annul a franchise once the business is set up, starting out on the wrong foot is likely to cause more franchise failures and more Britney Spears quickies. This is not good for franchising and the Federal Trade Commission needs to back off of such talk. I have for years told every franchise buyer that; "This business is hard work and you can lose all your money," but if you limit the types of phrases one uses in normal conversation, then you are taking away from the "get

to know you” phase of learning if the franchise is a good fit for the franchisee and franchisor. For instance do we like each other? Do we want to do business together?

The Federal Trade Commission gives earnings claims, for instance when it filed against our company it promised those who complained that if they filed formal declarations and embellished the story that the Federal Trade Commission would get them all their investment back and a little more to boot. The Federal Trade Commission made that earnings claim then failed to deliver on that promise, perjured itself in the process and then took no responsibility for bad profiling and lying to the declarants or for the declarants lies and refused to prosecute them for lying, yet made sure there was a clause in our settlement that we could not sue them for lying? Wouldn't it be nice for an agency of the Federal government to actually do what it is suppose to do, to actually get the job done on time and not botch it? That would be a good day for America, why not start right here at the Federal Trade Commission and reduce these regulations and allow for fluidity of business to accomplish the objectives designed into the system of Capitalism? Why not set an example to the rest of the government agencies, why not start a new trend in government to do something, anything and do it well? Well, why not? That would be a major statement and best for all concerned.

General Media Information (websites) page 31 of report:

This has been one of my major complaints in franchising. States like CA dictate what we can say on our website if we wish to sell franchises there. We have 13,000 pages online on all of our websites, the Department of Corporations in CA had once asked us to submit our website to them, so they could look at it since they wish to regulate advertising. I asked how, they said just print it out and send it in with the registration renewal. Oh great and how long is that going to take to go thru it all? They do not have the staff and the year will be over and it will be time to renew again before they get done. They said that was our problem. Needless to say, we are doing company owned units in the Great State of California these days even with the 110% of payroll workmen's comp costs. You know what the Federal Trade Commission fails to understand is that they are merely one agency and business people have to deal with all agencies and everyone is busy making rules? Why? To reduce fraud? What fraud? The only fraud is that which is against the entrepreneurs and business people that provide the jobs, tax base and stability to civilization.

Of the 13,000 pages on our websites, only a few pages on the franchise opportunity sections have anything to do with franchise sales, no sense in repeating the 180-230 pages in the UFOC, they are constantly changing anyway. We need to be careful how we regulate things, which change all the time, since who is going to monitor it anyway? Who will enforce it, will we have business people turning in competition and the Federal Trade Commission as the secret police for competitive advantage? Seems we have a little of that now don't we? You do not have to answer that, you can take the fifth, I understand how all this really works, the Federal Trade Commission has taught me well, but why can't we have a little reality at the agency which claims truth, justice and the American way, hmm, just a little is not too much to ask is it? What say you?

I have been in my industry some 27 years, write trade journal articles in 22 different industries that we service, which brings us business offers for all kinds of interesting things as well as contacts for services for our franchisees and/or company. Such articles do belong on our websites. We are put at a competitive disadvantage in franchising by not putting up things like business plans, information, etc., which are common knowledge in the industry. It is not right for people who sell equipment in the industry to be able to offer training and put up such things and since we are franchising, we are barred from doing so. That is lunacy. Sometimes franchising does not fit into the type of business our customers want to do with us, so we offer consulting services. Our franchisees benefit from working with industry leaders and from our strengths from mere association. If we do not put up such information we are constantly running at half speed. Such a general media rule would in fact limit the success of the franchisees as well as our efforts to achieve the goals for our company, in turn help their reputation and increase their sales.

Many companies have franchising divisions and company owned divisions, consulting divisions, business opportunities, signage agreements, for instance look at Shell Oil in their auto lube businesses. All sorts of different programs, some came from mergers, some from distributors. They are a solutions provider and a product manufacturer as well as a retailing and service franchise. People have needs and they have figured out how to service those needs. Sometimes when you are the dominant player in an industry, you are called upon to fix things, solve problems and provide solutions. Franchising is one such method although with the over regulations and increased litigation a less profitable one and often an impossible one due to the customizing of documents on a short time line. Why? Because the Federal Trade Commission is trying to help the consumer from fraud where no fraud exists?

Being the best in the world at what we do did not come over night, it is hard work and it always will be, we accept this, but condemn the Federal Trade Commission for making it even harder for no apparent reason. As we read this dribble and bogus arguments and what if, scenarios from attorneys one has to laugh, because in the real world, you do what ever it takes to get it done and move on to the next opportunity which comes your way. If you cannot get it done, then no one is going to buy from you anyway. Franchising can serve a niche where other formats cannot. Every possible combination in the playbook should be available to entrepreneurs, business people and corporations like Shell Oil. It is for this reason I agree with the commission on this point of contention that franchisors should be allowed to put up press releases on their website, just like any other company provided it does not appear on the franchise opportunities section or place on the site offering information about a potential franchise if those press releases contain information of earnings claims which is not backed up in the UFOC or available upon request from [legitimate](#) franchise buyers only.

We should not be bogged down with all kinds of incessant rules to cover every possible business eventuality otherwise we end up boxing companies into holes and therefore do not receive their innovations or best efforts, that causes a sever loss in the general productivity of an industry which must compete with foreign and domestic players who do not have the same rules. I therefore believe the Federal Trade Commission is correct in allowing such information as long as it is not used in conjunction with franchise sales. Under the earnings claims section of the UFOC negative declarations can be used to protect the consumer as are currently in play in most UFOC which do not contain such earnings claims.

Page 44 Even if the Parties Call it a Franchise it Must Meet the Criteria:

So what you are saying is that even if company calls what they do a franchise, it is not a franchise unless it meets the test. And if meets the test then it is a franchise no matter what the parties call it?

Well then Al Queda, which is often called a franchise in our national news, which is operating in the United States, actually is not a franchise and therefore does not need to disclose anything or any information. Yet all the legitimate businesses, which are franchises must disclose everything. Why not make Al Queda meet the definition of a franchise since they have similar training camps, collect fees and use similar handbooks and methods? Then you can get a list of

all their franchisees and the Federal Trade Commission can sue them to prevent attacks? Just like the Federal Trade Commission is doing with SPAM. Doing a lot of good there, let me tell you, with 2111 worth of junk mails today alone. Thanks for nothing. I want my tax payers money back! What a complete disgrace and failure, is the Federal Trade Commission unfit to lead?

It appears the Catholic Church is a franchise but call itself a church. Operates using the same marketing plan to collect tithing, pays franchise royalties to the parent, even molests young children which seems to be a common theme and practice? So does this mean if Jim and Sally owned a Motorcycle Repair Company instead of a car shop that it could become a church and franchise out and collect fees without being a franchise? “Zen and the art of...”

Although one might have problems with this argument since these examples are totally absurd, from a philosophical standpoint, one does have to ask the question? And perhaps even ask, why do we even have a franchise rule in the first place? Obviously it is to help other business models over the franchise model? So the Federal Trade Commission has a franchise rule to make it difficult for franchises to survive so other business models can do better? Yet it is now proven even with all this bogus over regulation franchising still wins as the most efficient model. I present these examples as so much of this report and those who commented are out to lunch.

Someone somewhere was afraid of how fast franchising was moving so we ended up with the franchise rule? That is not a sufficient reason to keep it. Especially with 105 complaints in a decade, 70% bogus meaning 26 complaints actual with over 350,000 outlets sold, show me another industry, which can show those types of figures? Well, show me, because I have been studying this and I can tell you none exists. Maybe the Wal-Mart or Starbucks of the world have proven equally powerful and efficient, however much of their methods except for private ownership of units follows that of the methods of franchising. Now if we continue to limit franchising they will have no competition.

This report and this discussion is pure unadulterated mental masturbation. Franchising is about win-win-win situations and solving problems in the marketplace, serving the needs of the economy, franchisor, franchisee, customer and even sometimes the shareholders. That is a good thing, if we argue over what is and what is not and try to define it one way or the other, we miss the point of why it even exists, it exists to extend brand name, save on capital outlay for rapid expansion and fill a niche in the market place where buyers and sellers come together of their own free will to partake using a unit of trade. Mr. Snow recently spoke about franchising and reiterated the President’s message that “franchising means jobs!” How can you argue with that logic? Look at how

many jobs are provided by franchising? Why would anyone want to over regulate the forward progress of all mankind and the value of the greatest business model ever created in the entire written history of our specie? WAKE UP!

You can make definitions all you want, you can redefine, re-write, argue, manipulate common words of the English language, but in the end all you do is limit the possibilities of the creative genius of those who seek and find niches to fill for the common good of all. Why are we doing this, can't we just reduce this burdensome regulation and let free will and free markets flourish? Why are we attacking people like Joe and Sally and Jim? Meanwhile if you want to stop the Catholic Church from molesting children or Al Queda from hurting our country, be my guest, I hope you sue the crap out of them. Good luck. My question to everyone is what good is making definitions if it hurts commerce by sweeping in other businesses and industries into this never ending fold of over regulation and intense litigation? Let's use some common sense here please. "Enough Already!"

If a company calls itself a franchise but is not a franchise then of course it is probably something else. But if the non-franchise business is sponging off the good will of all franchisors then; Houston we have a problem. If one company holds itself out to be a franchise but is not a franchise by definition isn't that false and misleading and somewhat misrepresentative? Why is that not covered in your rules. You are only going to enforce your rules on legitimate businesses while allowing misleading information to consumers by those who do not meet your criteria. So it is okay to misrepresent to the public as long as you are not a franchisor by some newly found definition, which has a 400 page report attached, right? You know this is typical in the regulatory bodies, those who are not regulated are always get the upper hand. My thoughts are stop regulating franchising and franchising will have the upper hand and the economy and America will flourish again, they have earned that right and they deserve it. Let's Debate shall we? Bring your best free market thinker economist at the Federal Trade Commission and let's go. Anytime, any place, any industry. Don't be chicken, you know I am right. Admit your mistakes, "Mr. Toporoff, tear down this rule."

Definition of "Franchise Seller" page 44:

First of all this is a bad term, in franchising you are not selling anything, you are basically leasing a business. So describing a "franchise broker" or even

“Franchise Salesperson” as a “Franchise Seller” is not actually correct. That is using common English, or common language, which I thought was suppose to be a theme in the disclosure documents? This term “Franchise Seller” is somewhat misleading and although it is currently used, it does not adequately describe the situation, which is occurring and thus is of detriment to the consumer. But it appears the Federal Trade Commission does not wish to change this because, it is too hard and too difficult to change it midstream with out building a dam? Let the fish swim, why do we put a dam across the free flowing river of free enterprise and commerce? Why is it okay to do something the wrong way? Federal Trade Commission’s answer: because we have always been doing it this way? Even if it is wrong and misleading to the consumer whom we are trying to help? Interesting this hypocrisy at the Federal Trade Commission, I expected that.

Mandatory Giving of Disclosures to “Prospective Franchisees” Page 57.

This is a real problem for smaller franchisors, because until you can fully verify who the applicant is and because the UFOC contains too much proprietary information giving out a UFOC to anyone is a serious issue. Competitors might want to receive this information and use it against you in the market place, meanwhile the competitor which may not be a franchise company does not have the same requirements to give out such information at all. Thus the competitive filed has been tipped in the opposite direction of the franchising company. A franchise prospect is not a franchise prospect until we know they are not a competitor, regulator trying to entrap or a person who meets our criteria as credit worthy, in good community standing and of high moral character let me explain this concept:

A.) Franchise Buyers Lying On Forms.

I would like to discuss the fact that many **franchise buyers who have 2.2 kids, credit card and short term debt in excess of 150% of annual earnings, college degree, BMW, Mini-Van, will claim on application forms that they have excellent credit and cash in the bank in excess of the amount needed to start the franchise. Over 70% of the applicants who claim this cannot even get an additional credit card or buy a car without 0/0 financing option or massive dealer incentives now being offered. Yet they often say they have**

“X” amount of cash available when really they have nothing and many are about to lose their jobs, through downsizing, right sizing or their current employer filing for bankruptcy.

You know the companies I am talking about layoffs at SBC, Delta Airlines, American Airlines, AOL, etc. and the most recent bankruptcies which you do not even wish to think about as they were once pillars of American Might such as: Enron, Kmart, Global Crossing, etc. Every few months another one bites the dust, some just outsource the jobs to greener pastures with less over regulation and MUD. Of course Jim and Sally cannot outsource, they are still remaining so let's regulate them?

These citizens are just regular American people, same as all of us and are not alone and they are a cross section of the current American family in America. Many of them want to buy a franchise. Without placing judgment on the falsehoods and giving them the benefit of the doubt, maybe they just do not realize that if they lose their jobs they will be out of money and pushing a stolen Home Depot shopping cart with their remaining worldly possessions within 2.4 - 2.6 months. Many may not realize that the credit rating required for a small business of their own or franchise is higher than that required when buying a car with no money down and a couple thousand dollar rebate as GM, Chrysler and Ford have given out in the last quarter to put the Japanese automakers down in market share by 3% a double whammy considering the current seismic activity closing 5 Honda engine plants, looks like China will get those jobs too, they are not coming here to Marysville, OH anytime soon.

These hopeful franchise buyers equate their recent purchase of a car with zero down or a home with 2.5% down as having excellent credit, there are even some home loans in high rapid increasing home price areas going for 120% of current value, god help those people if we have home prices collapse, deflated dollar and those loans are called, it happened before in Houston, LA and even in some places on the East Coast remember 1980. These franchise hopefuls are in for some additional lending sticker shock, as even the SBA lenders will require 15% minimum and usually 25% and banks are a little sketchy right now on any new business. True; franchises less than other businesses, but they are a little tough right now with the average citizen, they are looking for some high FICA scores and the consumer debt makes it tough to get many of what you might think are great prospects qualified. The bankers often take a hard line on small businesses, even franchises, Jeez, you would think it was their money, they are mere bankers. The bankers run potential franchise buyers around, they give franchise buyers answers like “The board will be meeting next week” or “Can you give us more collateral.” Why? They already have 20% of it guaranteed by the

government in the case of an SBA Loan and the entire business is on the hook including all assets of the newly formed company. Until we know that an applicant has the financial capacity to buy a franchise then they are not really a prospective franchisee are they? I question the Federal Trade Commission, use of this definition in that case.

Many inquiring franchise buyers often state on an application form when asked how they will pay for this business; "with a small business loan." I cannot offer a franchise to someone with no money. That is a sure failure being undercapitalized in any business, franchise or independent. Therefore I do not offer the franchise because they do not meet our criteria. If they secure financing and can prove it then they qualify and then we can offer them a franchise. By giving them a UFOC we are in essence offering them a franchise. Our franchises are only available to people who are reality based and tell the truth. We cannot allow someone in our system who constantly exaggerates, lies or inflates his or her current net worth, borrowing ability, earnings or assets. Just like you cannot hire someone who lies on their resume, makes up degrees earned in college or accomplishments at the Federal Trade Commission, or do you? We just saw a director of IT for homeland security step down due to a fake degree? Let's do an internal audit at the Federal Trade Commission, so we know how many are who they say they are and can back it up.

Remember in franchising, we are stuck with the franchisee for the remainder of the contract once signed and most franchises have automatic renewals for up to 20 years. If we get a bad apple in our system it hurts all the other franchisees and our brand name which in turn hurts all the previous buyers (consumers) into the system in sales, ROI, and amount they make if they transfer their franchise to a new buyer. We must protect those current franchisees who have been forthright and are team players as much as the rights of new buyers. The public (consumer) is not the innocent dupe that the Federal Trade Commission makes them out to be.

We cannot and should not make the UFOC available until which time we can verify all information given to us by the potential buyer. Remember I stated that 70% of all buyers exaggerate their financial situation. This is well known by franchisors as well as other sectors of our economy such as realtors, car dealerships and financial planners. One recent book I read put out by a major mutual fund company stated the number at 78%. Is it out right misrepresentation or is it more not understanding the reality of the banking system, cost of living, cash flow, or debt service on the applicant's own credit cards? Hard to say, but I guarantee you it is real. And it is a real problem with assisting new franchise team members in realizing their American Dream of owning their own business.

These are some of the problems associated with franchisees and their financial capacity.

Other problems occur when potential franchise buyers do not fill out the entire application form and leave sections out, some information does not correspond to other information or they fail to sign it. A person who cannot follow the rules cannot join our team and most franchisors should ask very direct questions of the franchise buyer before moving on if this occurs. Sometimes it is simply a matter of the franchise buyer being scared of identity theft due to all the TV news segments on the subject even the Federal Trade Commission goes over board with these claims of possible “identity theft” to justify their worthiness to consumers and next years budget. Sure there are issues with Identity theft it is huge, but franchisors are busy franchising not stealing information? Other times the potential franchise buyers are really hiding something, we must get to the bottom of this. Sometimes franchise buyers will not tell you they are going through a divorce and they are buying the franchise to be self-employed to hide income from their former mate to save on alimony. We have received several of these from people who admit it, wonder how many did not tell us their objectives in owning their own business? We have even had franchise buyers lie about their hobbies. Why would they do that? Are they so worried of what others think of them? Unfortunately, yes.

People will drive expensive cars when they are broke and it appears that this problem permeates our society, we know that we wash their cars, until which time they refuse to make good on the bounced checks, which will increase with this latest Federal Reserve Check Clearing Rules. People, real people, real Americans and even the all mighty and glorious consumers lie about stupid things and in franchising you cannot help or suggest things to a franchisee team member who lies and still give good advice. Franchisors need franchisees to do well, and we owe it to the rest of the franchise team to only take on the best franchisees and that takes quite a bit of due diligence on our part. Until that process is complete we cannot offer the franchise to what the Federal Trade Commission might call a “potential franchise buyer” as they are still applicants to us and should not receive a UFOC. Our franchise system like many others only offers our franchises to qualified franchise buyers. We do not offer our franchise to just anyone who has the money and surely not to anyone who does not. Just like an employer must screen applicants, so must a franchisor. And while I am at it, may I ask the Federal Trade Commission what a consumer who cannot balance their check book and doesn’t even read their credit card statements for accuracy is going to do with a UFOC and it’s attachments, for a franchise they are not even sure if they are interested in yet? Are they going to read it? All of it? And if they think they may possibly be interested in 10

different franchises are they going to read all ten? Are they going to read five, two, one? Probably none. This proposed definition change in the franchise rule helps, neither the consumer, purported consumer, “the prospective franchisee,” the franchisor or it’s current franchisees. And it will add inbound complaints to the Federal Trade Commission, which I will later discuss.

We had a potential franchise buyer wish to buy a franchise in Peachtree, GA. He filled out our form and said he would seek a small business loan and we discussed what it would take to put in a fixed site carwash. He would not reveal how much money he had available. He said he had excellent credit and had just purchased a new house. We instructed him to look into a business loan and if he could come up with the required capitalization we would proceed. Turns out the guy asked for a 1.6 million dollar loan and found out he needed 20% down, called us back and said he just did not have that level of funding. He of course needed \$320,000. As it turns out after several hours of discussion that he did not even qualify to buy our mobile franchise unit and could not come up with \$6,000 in real money. He worked for Motorola at the time. He probably has been laid off with the last wave of 20,000 people in 2002. The big problem here is how he dodged the question and never revealed he had no money, which would mean he did not qualify. He knew exactly what it would cost before he filled out any forms or even contacted us. He lied or assumed he could easily get financing for a small business. He assumed also since he was black, which he later revealed to us, that the SBA could give him a grant. Now that would be cool, I wonder how many franchises we could put in if that were the case? “Free Money” Call Lesko and buy the book on TV, “free money for anything!” Of course he did not alert us to the fact that he was going to try to go out and get the money for free. If that were the case we would also not have been interested because he could simply walk away from the franchise later at any time without losing any money and we would have burned territory and lost brand name reputation in the high end neighborhood of Peach Tree, GA. If we disclosed this individual after the few phone calls we had with him, he would have received in fact an offer to buy our franchise from us. Yet once the facts were known we would never offer him a franchise. He couldn’t have bought a franchise anyway. With less than \$6,000.00 in cash he is not even in the Red Sox ballpark.

We recently had a nice lady out of Brentwood, TN fill out our online form of interest in our franchise. When I called her back to discuss this, she said “What is the name of your company again, I went to so many web sites?” Well, this is interesting. She went to how many web sites and filled out how many forms generating time and work for every franchisor she went to. I almost hung up since she was obviously a looky lou, but I did not wish to be rude. After talking for a while it became very apparent that this individual was in the Image

Consulting Business and wanted to sell us some type of services. I guess she heard that I usually wear levis and a “T-Shirt” and that most certainly will not do in a Nashville Suburb. After listening to her for quite a while about all her great credentials about her Image Business, I realized this lady was not interested in a franchise at all. She of course had a cover story for her inquiry. It went like this; “My son is working for someone else and my husband is a Podiatrist and I have PhD in Image Psychology, and we want to set up our son in his own business, he likes cars. He does not have a college degree. I do not think this type of business is the type I would want him to do.” The story seemed questionable since I was talking to her instead of her son. She did not know what her son would want in a franchise and wanted to continue to rule his life. Obviously a story in an attempt to get someone who works for our company to listen to her sales pitch. She had clearly misrepresented herself in her telemarketing sales ploy. Does this person deserve a UFOC of 180 pages and the \$3.50 to express mail it?

On to finish this story...We already have a franchisee in Brentwood TN, who last year indicated he may be willing to sell part of his franchise. I told the lady she should call the franchisee and deal directly with him in a transfer, but that she would have to have herself, if she would be a 5% or more owner, and her son fill out our application form before we could allow a transfer. I gave her the name of the franchisee in Brentwood TN, the phone numbers and indicated that she and her son should contact him and ask to ride on the truck for a day to see if it was what her son would like. Also she would need to talk to the transferring franchisee as to price and other consideration. I should not send a UFOC until I know the franchisee is interested in selling, because otherwise I am offering to sell a franchise in an exclusive territory, which has already been sold. In this type of situation this proposed rule really has a problem. They might consider themselves a “prospective franchisee,” the franchisee might consider them a prospect to transfer, but to us they are a mere applicant and not a very good one at that.

Recently I had a potential buyer fill out our questionnaire and where it asks “How will you pay for this franchise they listed “Family members and personal savings.” When talking with them on the phone he confessed to me that his brother was rich and that he could secure all the money necessary to buy two areas (franchises) and multiple units of our mobile car wash franchise. “Great, then we are interested” I said since the person appeared on the application to be a great person, which in our franchise is a criteria, we only take great people, as we learn and experience the real world in regards to the over all whole of humanity. This criteria unfortunately is getting harder and harder to fulfill and certainly does not include the average person you meet. I asked the potential buyer if his

brother was going to have an ownership of the company. He said no, it would just be a loan. We then proceeded, disclosed the individual only to find out his brother was not liquid and could possibly only lend \$15,000 by using credit card checks as cash and wanted a 40% share of the company. Okay we can do a smaller single unit franchise we thought, since the rest he could get in a loan through our vendor from GMAC or GE Capital for the equipment. Of course the brother would now need to qualify too, and together they would be able to make the deal and start their new business. The brother would not sign the application form or the disclosure document receipt and we could not verify his information, so we withdrew the offer, but the potential buyer said you cannot withdraw the offer you said; "I can buy your franchise and you sent me the offer to sell me a franchise and the agreement and I sent you back a receipt of receiving this offer and I am going to buy this franchise," His rationale was that we had offered to sell him a franchise and on his application he said he could get money from family members and he still had five more siblings and he would not give up until he got the money.

I wonder how many UFOCs I will send out to all these siblings, if your rule is adopted, who decide to call up or ask a question about the business, knowing they will not buy into the franchise but act just to appease their brother. And it occurred to me when discussing this issue with some team members, well he may have a hundred relatives and almost everyone has parents and some of us still have grandparents hanging around watching us on the sidelines as we go through life. This buyer is really serious and determined and he said he would never give up, but if I have to send a UFOC to every single friend or relative who promises to look into it, I as a franchisor am not interested in selling him a franchise. Now it appears he meets your definition of "prospective franchisee" but in my definition he is not even applicant material anymore. Meanwhile how many times will I revise my franchise the UFOC until he finally finds the money under a rock in the back yard? He said "God will help me find a way." Oh Great! And maybe he will, but who is going to pay me for the 50+ UFOCs I have to send out every time he finds someone with a pulse who is willing to send me an email or fill out a form? And as the business relationship studies and articles show in HBR (Harvard Business Review), Fast Company, Fortune Small Business, Darwin, Entrepreneur, Business 2.0, E-Business, Small Business Computing, MIT's Technology Review, Red Herring and CIO it is important for proper CRM (Customer Response Management) to reply to emails within 24 hours. A few emails back and forth and all of a sudden we are getting pretty close to your "franchise prospect" definition, anyone can BS in an email conversation, just try online dating some time???

With this proposed rule simple business etiquette and norms would require disclosure to anyone who asked a question that we answered by any form; email, fax or direct mail? Whether or not we were simply trying to nicely answer a question or thought there was potential with that individual. Forcing franchisor's to be careful in discussions, tentative in information discussed and hostile to simple questions asked by consumers if pressed. And the consumers will press, because they want answers to their questions, they are impatient and demand a direct answer and not the run around. If a franchisor answers, he has to send this phone caller, e-mailer an entire UFOC? Hmmm? Are we sure we should stay in the franchising industry and give all of our information to anyone while working hard to stay within all the current regulations and still provide the American Dream to everyone else?

We have many students ask us for information, they do not understand how to ask for the information they need, so they pretend to be franchise buyers. After calling back these inquiries I have learned that many students say "I am interested in buying a franchise when I get out of school in two years." Well great, I say, call me in two years, by then my franchise agreement will have 44 revisions (that is what we would average in two years at our current rate with all the Federal Trade Commission proposed rule changes and with all the new case law). They say; "well can I ask you about your company?" The answer to that question, if this rule is adopted by the Federal Trade Commission will now be: "NO!!! You cannot ask me anything, I cannot talk to you, do not call me back, do not email, do not request information by fax, stay off our web site, go to hell, tell your instructor to stop making these assignments and basically FO (&@#%!)." Is that what the Federal Trade Commission wants me to tell students who call up doing class projects? Because that is exactly what I told some students at North Arizona University in Flagstaff, AZ and put in an email to a professor out of Chicago this week. Students are not consumers, not potential franchise buyers and do not fit into the Federal Trade Commission's current or proposed telemarketing rules. They are not "prospective franchisees" even though they claim to be. This folks were very upset about that response and if this rule is adopted they had better get use to it. I am not going to send out a UFOC to every college student in the country doing a project. If they want to be truthful, I can send them a brochure or discuss the business model with them. But many just want information for class projects. It is a cost to send out these information packages, brochures and UFOCs as I have stated in previous letters on this rule. If they want that information then they can petition a registration state for the information through the freedom of information act and pay them to get it or find it online somewhere on some state agency website who thinks it is in their power to give away my proprietary information. I will not send them out

for free, nor if this rule is imposed discuss anything with them, which would be construed as information about buying a franchise.

I suppose a mobile car wash franchise is intriguing to college students since it is unique so perhaps I get more than my fair share of students looking for information. Currently it is running at about 2-4% depending on the time of year of all franchise inquiries. This equates to \$1,144.00 to \$2,288.00 (2 - 4 students per week X's 52 weeks X's \$11.00 for printing and mailing) if your rule is adopted and we send all of them a UFOC and the attachments. I love helping the students learn about franchising, but I have an obligation to my franchise system to spend money on things that would more directly help their bottom line, expand our franchise system, creating jobs, and secure market share through excellence in customer service. Remember these are consumers who have already purchased a franchise, they are real consumers, they must get a fair shake, such a definition change and requirement would not serve the my franchisees (consumers). Even worse once you start sending these away to anyone and everyone knows they can get them, if entire classes of MBA students send of information, you could have 50 - 100 UFOCs requested by simple email. Costs: \$550.00-\$1,100.00, every time word gets out that you are sending out documents.

Apparently the Federal Trade Commission thinks that all Big Bad franchisors have tons of money to throw around. Have they looked at the state of franchising lately? In 2002 which is after the last comment period Jiffy Lube's largest franchisee with 198 franchises was de-listed, a very large Denny's franchisee with 50+ locations in Florida filed for bankruptcy, Blimpie's entire franchise system sold for peanuts, Ziebart was losing 40% of their franchisees in three years. Recently Kinder care sold out for a billion dollars and half of that was debt. Schlotzky's Deli filed Bankruptcy and we will not even talk about the Krispy Kreme cremation. The game is ever changing, franchisors no matter how well they are doing need to cut costs, as McDonalds has in the last year and Q3 turned into a very positive sign that they in fact beat the South Beach and Atkins Diet challenge to their bottom line. Stop this over regulation, it costs real money and it hurts real franchisors, franchisees and consumers. Every dollar counts. We should not be forced to send out UFOCs to college students who obviously have fake and bogus stories about being potential franchise buyers. Sending these people UFOCs is bad fiscal management. We especially should not send them out to those who lie in phone calls and emails to get what they are looking for, this sets bad precedence and teaches these future MBA executives how to use dishonesty for personal gain and it fosters the next set of Enron and Arthur Andersen type business people. Just think you are forcing franchisors to stop talking to students, then who will run the franchises in the future? The problem

with arbitrary rule making by clepto-crats (stealing and squandering American productivity thru the blob of bureaucracy) is that they have no clue as to how the real world works and how everything is interconnected. Every rule you make for a positive reason has negative effects on everything else. Since no one brought up this student issue, I thought I would share this with you. Why doesn't the Federal Trade Commission educate the students on their budget instead of using money to make more rules, and then forcing me to? I for one am really tired of your crap. Forcing definitions, which make it easier for lawsuits and actually violate my right to free speech and the importance of due diligence to protect my little franchising empire. If I say anything of meaning then I have to mail proprietary information to that person? What kind of asinine example of consumer protection is that?

Consumers and students want instant gratification and an immediate UFOC, Why? Employing their same logic and frame of reference, they will never read it, they would be too impatient, they will simply go around collecting them. Franchisors are doing a service to a potential franchisee by making them go through the process of filling out an application. A franchise is a structured environment and if a potential student buyer cannot go through such a procedure, how well do you think they will learn in their classes. And on the consumer side, how well will the franchise buyer do once they start such a franchise, where everything is so exacting from the number of olives on every sandwich at Subway to the bathroom cleaning procedures at Comfort Suites? We have procedures to protect the integrity of the franchise model and to help the consumers and students who may be joining in the franchise industry in the future. The Car Wash Guys are no different as these efficiencies and the economies of scale in franchising depend on us to be, otherwise the whole endeavor is a wasteful exercise. Franchising has procedures and these procedures all have case laws and reasons behind them. Changing this definition and requiring too early disclosure disrupts the franchise model.

When we battled the Federal Trade Commission on a bogus earnings claims case they brought against our company, the Federal Trade Commission had a lady pretending to be a professor from El Paso ask us for a UFOC claiming that she was collecting them for a student library. We did not send it. Interestingly enough, the email from this fake inquiry asking for our documents was enclosed in the declaration attached to the case. Are we certain that the Federal Trade Commission is not just upset that they cannot get the UFOCs of franchisors? Maybe it is not a public concern after all. Maybe the reasoning for the change in definition is to help the Federal Trade Commission spy on franchisors without further misrepresenting themselves in the process by filling out bogus applications which they know the franchisors will check up on. I want to see all

the complaints from real citizens and real consumers on the need to change this definition, not from franchisee rights groups, which attempt to form unions to disrupt franchisors or from franchisee attorneys who make a living suing franchisors, but from real and legitimate concerned consumers? I would wager to say that in those 26 legitimate complaints from consumers between 1993 and 1999 that zero were about early disclosure which would mean we need to preempt the problem by re-defining “prospective franchisee” to include anyone contacting a franchise company, in which the franchise company acknowledged as a potential applicant. Show me one complaint to the contrary. Why are we making rules and changing definitions, what is the reality of this. Einstein said; “Question authority,” you have a bronze statue of him in DC so I hereby ask the question. Answer it. Why do we need this change? When and it the Federal Trade Commission submits the names of this one or more complaint, I want to run all their names and see if the Federal Trade Commission really has consumers who feel they were really harmed in the process of buying a franchise by not receiving an early UFOC. I also wish to know why these complaining folks dragged their feet in the dissemination of their information. I have been in this business long enough to know that most delays in the process of a franchise offering or sale come from the buyer side, not the franchisor side of things who is in business of course to make money and larger franchisors are very concerned with sales goals, shareholders equity and quarterly objectives and revenues. I am not a conspiracy theorist, but have personally witnessed first hand the bogus phone calls of investigators and read bogus emails from people claiming to be buyers, who have been students, competitors, looky lou’s and Federal Trade Commission gray wolf or consumer sentinel counterparts, it really gets old after awhile. This El Paso Professor inquiry is a perfect example of exactly what I am talking about. Using the educational system to do their dirty work and thus hurting the educational system’s credibility with the very franchisors whom in the future may hire students graduating from their institutions.

That is very detrimental to the overall academia and business communities and future relations. I occasionally speak at colleges to students when invited by professors as part of their educational process, with these rule changes I would literally need to hand out a UFOC to every student after the speech if one asked a question about buying a franchise. How can the Federal Trade Commission accuse the Franchisors and say this is an issue when the Federal Trade Commission uses deception and misinformation and encourages complaints over the Internet through its web site, which has over 17,000 links to it? Can you imagine the number of hits coming to that site and the numbers of people that click on that complaint form page just to see what it is? Or how many people fill out those forms to issue a complaint of some kind? How many of those are legitimate? Same with the inquiries, which come to a franchisor’s web site or

through their email system. They are not “potential franchisees,” “prospective franchisees, or “Prospective buyers” until they are verified and therefore cannot receive a UFOC or any other information. They are applicants at best. Many cannot even fill out the form right? So the applications are null and void. Digital Dirt.

Below is the form we use for potential team members. We do not consider them actual franchise buyers until they are qualified. We are looking for great people, and of course they must have the financial resources to buy the franchise, enough cash on hand to use for cash flow in the starting of the business and adequate credit for future expansion to handle customer demand. This can be a problem in our industry since there are so many cars. Most people reading this letter own more than one registered vehicle and most of you need them washed often. This is an incredible responsibility and we need great people. If we disclose a potential buyer we in fact are offering them a franchise at that point. But we cannot offer anything until we can verify that their information is true and correct. We are finding that usually their information is not entirely correct and we need to get to the bottom of that issue before offering them a franchise. This may take several e-mails, faxing of credit information and proof that the application is true and correct.

We have no choice and we owe it our current franchisee (consumers) team members to only allow the best possible candidates into our system. Sometimes it takes a few phone calls, emails or any number of communications for a potential buyer to trust us enough to give us the information we require to process the application, so there is no way we can do this in the first communication, no matter what type it is. I would rather put the application in the shredder and walk from the deal altogether than to offer a franchise for the company I have been building all my life to an unknown, which could destroy my brand name or life's work. I would say from observation that most smaller franchisors also feel that level of passion for such things. Larger companies where the first point of contact is a salesman may not due to the lack of emotional investment of many hard years as an entrepreneur. Obviously you know I am correct. Many applicants will fill out the form and skip the social security number or bank account numbers. Well then we cannot process the application and we have to find out how we can get them qualified without this information or decide to walk away. The next page contains the form we use.



TM

The Car Wash Guys

(888) WASH-GUY
FAX (888) WASH-GAL

POTENTIAL TEAM MEMBER PROFILE

Personal Information:

Name _____ Social Security # _____

Address _____ Years There _____

City _____ State _____ Zip _____

Home Phone _____ Work Phone _____

E-Mail Address _____ Education Level _____

Marital Status _____ Spouse's Name _____

Children: Names, Ages _____

Do you currently own a business? (If yes, answer the following questions under "Company Information")

Company Information: *(If own more than one business list each on additional page.)*

Company Name _____

Address _____

City _____ State _____ Zip _____

Phone _____ Fax _____

E-Mail Address _____ Tax I. D. # _____

Organizational Type: _____ Corporation _____ LLC _____ Partnership _____ Sole Proprietorship

Bank And Credit Information:

Bank Name _____ Phone _____

Address _____

Checking Account # _____ Credit card # _____

All Information provided in this application is CONFIDENTIAL
Wash Guy. Com, Inc. reserves the right to decline any application for any reason.

POTENTIAL TEAM MEMBER PROFILE

(Please attach additional pages if necessary)

List your community involvement including non-profit groups, religious organizations, volunteer committees and any elected or appointed political positions.

List any magazines or trade journals you subscribe to.

List your favorite books, movies and music and why they are your favorites.

List the type of aircrafts, boats, motorcycles, bikes, airplanes, etc. you own or use and their color.

List any competitive sports or groups you have been involved with including high school, golf, equestrian, bowling, musical, bridge, chess, etc.

List your pets, their type and their name(s).

I declare the information provided here is true and accurate. I release representatives of Wash Guy. Com, Inc. to obtain credit and background information from any of the sources listed in this application. I realize that this information is confidential and will not be sold to any other party.

Signature

Date

We need to know if this person is a real person, if they will fit into our team, if they have the money and if they tell the truth. We cannot offer a franchise until we know these things. It is not right for the Federal Trade Commission to make a franchisor give out a Uniform Franchise Offering Circular (UFOC) to a potential buyer who is unqualified to meet the needs of the franchise in spirit, ethics, money or stick-to-it-ness. Many franchise buyers will send in an application listing several jobs in the past year. We find this an issue and need to get to the bottom of this to see if they will stick with their new franchised business. Many times there is a reason for this and perhaps they really do belong self employed. Other times it just proves that the applicant or candidate lacks dedication, perseverance and commitment all of which are necessary to run a franchise business, or any small business for that matter. Sometimes it means that they are system wreckers and should be in a leadership capacity running their own show, self-employed but not in a franchised business but their own business by themselves.

Especially now more than ever as larger companies are stringing out small businesses on receivables, they are holding onto cash. Afraid to invest it in over regulated industries and are not quite sure about foreign markets, perhaps looking to buy out other companies on the cheap as a growth strategy like the mega merger period of the 80's. It takes a special person to run a business of their own and that is not always the same person to run a franchise. Some people should not be in business for themselves. Many should not be in a business like ours, which is hard work and if an owner operator runs the business it takes a person of certain physical attributes. If we offer and sell a franchise to a person who has not proved they can handle our business, we are doing a disservice to the consumer and worse off to the current franchisees that are also consumers and need protection of their investment. They desire a fair and reasonable ROI if they put in real effort and follow the system as they have taken a severe risk in any franchise they open. By letting the wrong franchisees into the system due to speeding up the process of the sale by disclosing information and offering a franchise too soon, we are jeopardizing our responsibility to the both sets of consumers. The franchisees already in the system and the those who will fail if we accept their money and let them in. The integrity of the system is important to the growth and profits of the consumers who purchase(d).

B.) No Information Available And No Contacts.

A consumer often asks a simple question to a franchisor to decide if that particular franchise might fit into their needs for a small business. Usually they have a couple of immediate concerns when business shopping for franchises. Now with

such a rule imposed to disclose upon return email or email conversation, a franchisor has to make an arbitrary judgment call at that point as to whether he wants to send out the UFOC, which will cost \$11.00 or not. If he decides “not to” then the franchisor has to terminate all correspondence with that entity forever and ask the consumer to put the franchisor on the potential franchise buyer’s “do not call list” and make it clear to the consumer that they are not interested in selling a franchise to them and to never call the franchisor back, ever.

This would be the only way a franchisor would be able to protect himself from the future ramifications and problems of this proposed rule. Because otherwise the potential applicant would say, “he will not send me a UFOC, when I wanted it.” But most likely it was because the potential applicant was aloof, dodged questions, sounded wishy washy, struck the franchisor as questionable in some regard, but perhaps not to the point of completely disregarding them, just uneasy. So then they will not wish to send out the information or even make an offer. So the franchisor would be forced to end conversations. If the consumer will not take “no” for an answer or feels slighted they are likely to trigger another complaint with the BBB or the Federal Trade Commission or someone. Most consumers in this day and age who feel disrespected seem to go on an immediate “I want revenge cycle.” Such complaints will only serve the Federal Trade Commission and their future increased budget from tax-payer monies and still it will not help the consumer. The consumer was already helped by denial of the opportunity as they probably would have not amade a good fit with that franchisor.

If the franchisor responds to the inquiry then he would have to send out a UFOC, so his answer 50% of the time will be, it is not worth the money to send out or the risk of having it get into competitors hands and therefore will opt out of any disclosure and create exactly what the Federal Trade Commission in this case is trying to prevent. Franchise buyers will become so frustrated that they will try to get the law changed back when they figure out why no franchisor will talk to them. Currently franchise buyers are very upset that they have to fill out a form to get information. Well the real reason for this is all the MUD and over regulation that has been created by the franchise rule has actually closed communication and efforts to get information to the consumer. Regulated websites, brochures, what you can and cannot say, means everyone who is legitimate and honest is walking a fine line of gray during every sale, increasing regulations or tightening up the regs as the Federal Trade Commission appears to be attempting here is leading to and will lead to less information. This should be obvious, you need to reduce regulations if you truly want to help consumers and educate them so they understand more about business deals in and around the franchise model.

As if it is not frustrating enough for the franchise buyer choosing and starting a business with all the other agencies and rules, such definitional changes and rules

of timing of disseminating pertinent information will have instantaneous stoppage of information to consumers. It may shut out those who do not understand franchising from learning what franchising is all about. Then consumers will simply never get any information at all and will be bared from buying the franchise of their choosing. I cannot tell you how many people we have turned down just to stay in bounds of the franchise rule and stay out of gray area when pressed by self-proclaimed franchise buyers.

If a franchisor has set up a way in which they prefer to get inquiries to carefully document the chain of events leading up to a sale for reasons of thoroughness and CYA because of over regulation and litigious nature of franchising he has every right to protect himself. It is the Federal Trade Commission's fault for making this necessary and the attorney's fault for biting off the hand which is feeding them in this highly specialized area of law. The franchise buyer attempts to use other methods of contact such as an email, then with this proposed rule unqualified buyers would be cut off from all information. Email is a good way to communicate, because it leaves an electronic trail of what was said protecting both parties. Email communication should not come with a disclosure-triggering event. If the franchisor sends out the disclosure information then the same unqualified buyers would be able to purchase a franchise, even if they were not suited for it. Since once they receive an Offering Circular the consumer believes he/she is duly in receipt of an offer to buy. These franchise buyers would most likely fail and that cause more harm to consumers as they would lose all their money in their new business. Is that what the Federal Trade Commission wants? Because, that is exactly what would happen.

Our company no longer sends out mail out packages due to the multiplicity of advertising laws and requirements in the different registration states such as California. It is just too much trouble to send the state of CA updated mail out packages for review every time we change something, the consumer therefore gets old junk, who wins? Potential franchise buyers ask for mail out packages. We do not have them and therefore cannot send them out. Such laws tend to hurt consumers. The definitional changes proposed will add more adverse CYA protections, from franchisors, which will hurt consumer's information gathering desires. If someone asks us by email; questions pertaining to buying of a franchise, without us being able to verify who they are, instead of answering the questions, which might trigger a disclosure event, we will be forced to them on a black list of names who cannot buy our franchise. What do you do if someone uses an alias of Joshua Smith? Joshua Smith sent us an email three months ago and would not verify who he was. We did not send information and therefore cannot verify we did not offer him a franchise. The potential buyer can say, I am not the same Joshua Smith. Ah ha, but how would we know, the last Joshua Smith never gave us an address. So I am sorry Mr. Joshua Smith, we cannot offer or sell

you a franchise, because we have already documented you as a black list. This is the same problem, which happened in Florida Voting with people of the same names. If we did we could be in violation of this proposed Federal Trade Commission rule for not sending you out the required disclosure last time you inquired because you were not a prospect then. Our company has developed a system for compliance and it includes all leads coming through our web site for documentation purposes to prevent the Federal Trade Commission and other agencies from targeting us as an example and using the publicity for their efforts and future funding from Congress. Similarly we have taken our phone number off our web site forcing buyers to come in a certain way to streamline the process so we can comply with all the crazy rules in franchising.

Franchisors will be subjected to increased scrutiny if this definitional change is made and these rules are enacted and then enforced and as I have been discussing it is quite contrary to normal and reasonable business procedure now being used in franchising. Therefore it will take a while to figure out how to comply with such new rules, which this definitional change will trigger. What if the new procedures of the franchisors are not exactly perfect with these new rules, but are a sincere attempt to comply in spirit? Well, then yours truly and several other small franchisors will be attacked as usual, round up the usual suspects? The Federal Trade Commission as we all know in franchising never go after the big franchisors because the Federal Trade Commission knows that they will be out fire powered by high-powered attorneys. Many of these high powered attorneys use to work at the Federal Trade Commission but got disgusted or wanted a pay raise and went into private practice and therefore now how to easily beat the Federal Trade Commission. They make a lot more money per hour now and most smaller franchisors do not have the funds available to wage war against the Federal Trade Commission. The Federal Trade Commission knowing this usually attack the little guy in the franchising business, it is the easiest way to purport that they are in fact curbing the non-existent fraud certified in this report and commonly known in the industry. This keeps everyone happy and makes the Federal Trade Commission look like they are doing something. A simple definitional change and the Federal Trade Commission has a whole new method of terrorism. RPG - Regulatory Propaganda Gun.

The franchising industry needs it's own set of rules, not borrowed ones from the securities industry with a patch ware scheme that unites them to the BizOp sector. These proposed rules and the ones, which will most likely follow in the future will lead to less information to consumers than more.

When some one buys a franchise, they are buying a small business or leasing a business some say more like actually they are renting it as a job. Yet the franchising laws fall under investment laws. It is not an investment in the true

sense of the word, because in most franchises you do not own anything and in some franchises you end up buying all tangibles from a third party therefore you are not buying anything really. As a matter of fact when you sell a franchise you are only transferring your rights to operate the rented business to a new party, not selling anything. You cannot sell anything you do not own. It is not like a stock or shares of a mutual fund. It really needs it's own set of guidelines, not those of another industry that you are trying to make fit, when they do not fit at all.

The disclosure trigger we are talking about with the email conversation or substantive meeting is actually causing less face to face meetings and more documentation and lawyers and denying meaningful communication. It appears we are currently over regulating securities and trying to shore up ambiguities in similarities in franchising, when they similarities are merely coincidence and may exist only because long ago someone said franchises look like an investment so we should regulate them like any other investment? Bad call, today we see the effect, this rule further shows the need to move franchising away from securities laws and into it's own category, yet as soon as you do mentally you see that franchising can do fine without any laws. Which would make it better for consumers, business people and the cost of owning a franchise would be drastically reduced without the legal costs involved currently.

Of course many people and attorneys make their living on these laws so you can't just change them and fix them, but is franchising really a disruptive technology? No, because it allows old technologies and new ones to have a method which is efficient and can rapidly innovate. You instead are trying to force them into a square hole, but why, isn't that what has been done this whole time and really it has got us nowhere except to a point we now have proof that franchising does not promote fraud as a matter of fact the very win-win principles it needs to succeed help eliminate fraud from it's business model. Can you hear what I am saying? Does it make any sense to you people yet? Step out of the cave, stop staring at the wall and join us in the wonderful world of franchising. Dear Federal Trade Commission, I personally invite you to take off the chains and come see the real world, just don't bring those S2D2s with you, leave them in the dark watching the flickers, we have things to do. Jobs to provide, taxes to pay, deals to make, civilizations to build, come on, get with the program already, turn your brains back on and join us out here in the real world. A world of opportunity for all, big or small, that is what America is about, why eliminate that strength of free markets. The more rules you make the harder it is for franchisors to help franchisees succeed and move fast in the market place when things need to be tweaked a little to keep up with new innovations and technologies in the various market sectors or regional variations to meet changing consumer desires. It appears we are really clouding the issues here with these new definitions and rules which have no rhyme or reason, do not help anyone, hurt consumers, cost franchisors money and close

communications between potential franchise buyers in search of their American Dream and the only people who can bring it to fruition, us, the franchisors. Wake up! Enough is Enough!”

C.) Competitors Seeking Information About Companies.

We have done extremely well on the Internet in attracting people who want their car washed. We are well spidered on the search engines for key words such as “Carwash.” We therefore get a high number of hits. Many times people who make their living in the market sector of car washing or own carwashes will come to our site after searching the words that categorize their industry. They look through our site and then they find the opportunities page and think to themselves, hmmm? And then fill out the form without revealing they are already in the business. Like Ray Kroc (McDonalds) whose policy was never to sell franchises to those previously in the restaurant business, we will not sell to those in the car wash business. They have ingrained in themselves their way of doing things, which is incompatible with our system and methods. They want to ask us questions thinking they can copy some of our ideas. So they call up, email, and start asking questions. About five minutes into such a conversation we get a pretty good idea that they are not real franchise buyers, although cannot know for sure. Your definitional change would mean we have to cut them off right their or treat them a prospective buyers and disclose them. They are too knowledgeable about the industry and they usually slip up in one of their questions or just have to tell us how great they are and how many cars they are washing on busy Saturdays, but not always. I am in a really ugly and highly competitive industry, almost as bad as the garbage business before the massive consolidation by Wayne Huizenga. Luckily that comes with intense egos from independents and not a whole lot of smarts, thus it is fairly easy to spot them, but not always some obviously slip through. Those who are rotten people would most likely become good liars too.

Why should I send out a UFOC to a possible competitor when the UFOC they receive could be copied, a few changes made, potentially save them \$35,000 in legal fees and takes away income from a practicing attorney in franchising. The cost to send disclosure documents out is just about \$11.00 and if the competitors in my industry knew I had to send them out they would have every one of the industry’s 19,000 tunnel car wash owners across the country email us and pretend to be buyers. As a matter of fact I would not be surprised if an email began circulating in the industry through virus style email chains and the inquiries all came within a couple of weeks of each other. So what is \$11.00 times 19,000. It is exactly \$209,000.00. I would rather pay an attorney to file a class action lawsuit for our franchisees against the Federal Trade Commission for damages of this

obvious abuse of power, and damage to brand name for their previous attacks on our company. Oh and there are about 25,000 estimated coin-op car washes too. You do the math. The UFOC contains estimated number of projected units and all kinds of information we do not want sent out to these competitors. We are not a public company and until we know who is asking we prefer to keep our information close. By doing so we protect our current franchisee team members (consumers) from the “lose lips sink ships” syndrome. Why add competitive disadvantage in the market place to our team from requests from competitors. We would definitely not want to disclose information to since these people who are independent competitor businesses. I would be doing a disservice and can cause hurtful competition to our franchisees if I divulge information that easily. By enacting this rule to disclose that early in the process and offer a franchise to a non-qualified and potential competitor, our company is put at an extreme competitive disadvantage. Is it government’s job to help destroy small franchising systems, which provide strength and innovation to American way of life?

Over disclosure, including things like UFOCs on government websites promotes price fixing and collusion which some might say is a bit unorganized and perfectly legal? Sure, but it does promote more than just standardization in an industry, and brings us closer to price fixing tendencies, which I think the Federal Trade Commission is suppose to be against. Competition is suppose to be good for America, sometimes cooperation is better as standardization of markets, specialty niches are also very good for consumers. A worthwhile book to read on this philosophical argument, which over disclosure promotes and the Federal Trade Commission is forcing on the market place is “Co-Opetition written by Adam M. Brandenburger (Harvard) and Barry J. Nalebuff (Yale) both professors. The reason I bring this up is over disclosure allows our information as franchisors out in the open and can lead to systems failure from larger slower moving fish with bigger teeth, who use agencies like the Federal Trade Commission to help them catch the impossible to stop entrepreneurial spirit. These professors mention the same things, stay away from price-cutting. If the Federal Trade Commission is looking out for the consumer and the consumer 80% desires price over all (look at Wal*Marts success). Just ask a real consumer what their favorite price is and 8 times out of ten they say “FREE.” More disclosure, sooner disclosure and online “look up anytime” disclosures mean no competitors have to wonder about the other franchisors deal, they already know and will all adjust to an upward bias to the strongest name brands; Subway, Midas, Budget Rent-A-Car, Service Master, Jackson Hewitt Tax Service, Future Kids, Sylvan Learning Centers, Duncan Donuts, McDonalds, Great Clips, Choice Hotels, MBE, Century 21, 7-11 and Radio Shack. Why wouldn’t we, as an up and coming franchisor simply match my price to the nearest category of let’s say Service Master, but back off of that price a couple thousand to look more appealing. After all I would make more money, then if I have to charge half that price to compete for the same prospect.

Yes, it is true you can get the UFOCs now from FranNet for a small fee and most registration states for the cost of printing (they usually claim \$.15 per page, glad I do not have to pay that much to print my documents at Kinkos). However this data gets old quick and it is very hard to stay up on what your competition is doing and the price changes being made due to speed of marketing program development and deployment by fast moving franchise organizations. I know we are changing our offerings nearly every month. In the Hotel example I point out in another letter to the Federal Trade Commission in the Telemarketing rule comments, the way these things happen is natural, but in this case forcing UFOCs and such disclosure out sooner and to be put on websites, you will have people matching deals and there will be an upward trend. In this proposed rule the Federal Trade Commission will actually be promoting standardized pricing for all franchises and therefore the consumer can no longer shop to find the “DEAL” they are looking for because all the franchise offerings will become so similar you will not be able to tell them apart. A franchise for a mobile car wash business will look the same as a small retail sports attire store, except without the building. Yet those are very different business models and should have very different pricing for initial start-up and franchise fees, and ongoing contributions to the system in the form of royalties or merchandise purchases and inventory.

Many competitors have pretended to be franchise buyers to get our information through misrepresentation. Here is a list of major competitors we know have inquired for information from our company between 1999-2002, not to buy franchises but to gain corporate intelligence thru what I call trickery:

- 1. Mobile Services Inc. (CA),**
- 2. Ziebart (largest Detail Franchise in the Country),**
- 3. The Venture Capital firm behind Mister Carwash (second largest Carwash Consolidator in the World),**
- 4. Fleetwash (Largest Mobile Truck Wash in the World),**
- 5. Wash on Wheels (Third Largest Mobile Detailing and Car Washing company),**
- 6. ServiceMaster (Largest Service Franchise in the World, \$50 Billion in sales),**
- 7. Blue Beacon Truck Washes (\$300 Million in Cash in 2002, 98 Truck Washes and Largest Truck Wash Chain in the World),**

8. **Car Spa (Third Largest Car Wash Chain in the Country),**
9. **Kwik n' Klean. (Washington State Multiple Car Wash Owner on the Board of the Puget Sound Car Wash Association).**
10. **SparkleWash (Second Largest Mobile Washing Franchise in the Country),**

I can provide you with at least 200 independents we have identified so far who have attempted to get information from us this way. We have received attempts from nearly every single state in this country. We know who our competition is just like you at the Federal Trade Commission's Franchise Group knows who it's biggest critics is. We have often caught the Federal Trade Commission trying to entrap us as well as off duty Federal Trade Commission employees after settling our case. Interesting tid bit for you.

A definitional change of prospective buyer would mean many of these groups or competitors would receive proprietary information we are forced to disclose due to the Federal Trade Commission current disclosure rules. That is not helping consumers, that is hurting our franchise system. I suppose other franchisors do not watch this as closely as I do, although I doubt many modern day franchisors work as hard or care as much or have been in business in the same industry as long as I have before they even started to franchise. Never the less this problem is a market reality and the Federal Trade Commission disclosure laws hurt companies and their franchisees (Consumers) and give an advantage to cheaters and unethical standards much the same as those student in college and high school which cheat on tests, download complete research papers and reports and eventually get jobs for government agencies or later go on to get law degrees. Some will grow up and become our competition too, and they cheat their way thru life, trying to copy other people's work. My question is why is my government helping cheaters steal my life's work and since they have no answer to the question and cannot debate this truth. May I then ask who on Earth this is helping? In my opinion it helps the weak, who will not work as hard or care as much and thus deliver less it helps those who will give less than adequate service to consumers? It helps those who cannot and will not go the extra mile to even write in a letter to the Federal Trade Commission about this very rule making session, because it is too much work.

The Federal Trade Commission does not understand the reality of the situation out there. For instance in one of the market sectors that our company is most prevalent, car washing, there are thousands and thousands of unscrupulous owners. Everything from illegally dumping toxins in to ground water to money

laundering; the IRS even has a special category of enforcement for car washes. There have been many instances of child molestation, rape, shootings of employees and lots sell drugs out of the back of car washes. For some reason the drug thing seems to be so pervasive that it is a given and the place the police look first to find sources of drugs coming into their communities. Stealing stuff out of people's cars at many car washes on a busy weekend is a ten times per day, daily occurrence, ask the BBB, although this is not a reference I choose to endorse. Or just go to a car wash and leave change, cell phones and other small valuables laying around and then take an inventory when finished. Car Washes also seem to be place where illegal alien labor is the norm. Imagine a cash business that hits all the IRS clicks for an audit, filled with unscrupulous operators who either commit these crimes, condone these events or allow the to go on and look the other way? Now imagine a mobile car wash service like ours which comes into their markets and does car wash fundraisers for youth groups, sets up neighborhood watch patrols, hires only UPS, Fed Ex type truck managers and delivers a car wash for less money to you're the door of you office or home? Can you begin to see the competitive factors here when building a better mouse-trap in an industry filled with people like this? Our company has to deal with this everyday.

Many times per week these competitors will come to our web site or call us for information pretending to be franchise buyers, when they do not get any information and we ask them to stop calling they do not. They keep calling and calling and calling, changing names and storylines. If we yell back at them it is out of total frustration. We cannot send information about our franchisees in the back of the UFOCs to these people, they are liable to send a couple of goons from their car wash to our franchisees house late one night. At another time I will tell you some stories. My question is why on Earth does the FTC negate this line of reasoning when it is out in the public and obvious from any studier of the franchising industry, it happens in every sector and the Federal Trade Commission ought to wise up because foreign competition is very into information gathering, they are much more intense than even Al Queda as they video tape and take pictures of ferries, financial buildings, aircraft, buses, trains and such. The Federal Trade Commission is helping my competition, hurting my franchisees (my family) and causing normal interaction of communication with my customers and their consumers.

If kids were ringing your doorbell and every time you went to the door, nobody was there, eventually you would run to the door to catch them and then yell out the door "You damn kids." By Federal Trade Commission standards this is not allowed in franchising, yet I want to know; what is the difference? Eventually the kids leave a bag of human excrements on the door-step on fire. Of course you would have to stomp it out and then I'll have crap on my shoes. By this same example the Federal Trade Commission wants me, a franchisor to be nice to these

people and polite and if they ask for information I have to send them a UFOC at my cost. That is like saying a kid can ring your door bell and run away, but if he stayed after the fifth time and put out his hand you would have to hand him something of value, before he would leave and something to all his friends if they came to your door and stayed, even if you did not like the person and did not want them on your property. Trick or Treat and witch hunting is alive and well at the Federal Trade Commission. This is not really an abstract thought on this matter it is in fact very similar to what is going on out here in the real world and exactly what would happen by changing the definition of “prospective buyer”.

I apologize to the Federal Trade Commission for these next examples. But they were made by the so-called consumers or should we say “pretenda-consumer” you are trying to protect. I bring this to your attention because your rule would mean these people would receive my UFOC and proprietary information. Shouldn’t franchisors especially small ones have a little more privacy along with their franchisees? For their own safety? I have been in my industry since I was 12 years old and built this company the hard way. We have proprietary information, which is contained in these documents under your current disclosure laws. I realize that the Federal Trade Commission cannot know what I know since they do not do what I do and see what I see and hear what I hear everyday. These are real people posing as non-real entities are creating general harassment, which is hurting all consumers. Not all franchisors have to deal in such a wicked industry as car washing, but we have to. And I am, sure we are not alone in these problems. Actually I should get an award from the Federal Trade Commission for my work in standardizing an industry like car washing and making it safe for the public and improving service. Here are the examples and again I apologize for this, but you need to see it to get a glimpse of the real world:

Name: FUCK YOU LANCE		Phone: na	
Address: I ever see you I'm going to kick your ass			
City: You pussy	State: Select State (if applicable)	Zip: demented fuck	Country: United States
Current Work: na		Referred by: na	
Territory: na		Owned Business Before: na	
Timeframe: na		Capital: na	
Web Address: Your fucking Dead!		EMail: na@fuckyou.com	

Here is another one, this one came in, same person? Perhaps, but no way to tell for sure. This one came in from a different section of our web site for accredited investors used for large carwash fixed location sites interested in our team:

Below is the result of your feedback form. It was submitted by
(LANCERISFUCKINGDEAD@YAHOO.COM) on Friday, April 5, 2002 at
21:10:55

Name: lance r

Title: is dead

Company: fucker!

Address: F

City: U

State: Michigan

Postal: 34345634

Country: USA

Phone: 00000000

Interest: WATCH YOUR BACK

B1: Submit

Obviously the person above is upset that we are beating them in the market place. Judging by this act, they need to be beaten in the market place and replaced by our team, which is much more professional. And of course we have been getting these since we started franchising in 1996 and put up a web site. I am still alive so obviously these are not the same people who shot JFK, but it really does not make me or my team feel comfortable sending out information to un verified and unqualified individuals. How about you? If the Federal Trade Commission got this e-mail they would send it to the FBI immediately, franchisors do not have the

time to waste, we have to work twice as hard now with these extra bogus leads, we are not going to waste the FBI's time, they have international terrorists in our country cruising around to catch. If the Federal Trade Commission would not listen to competitors of Microsoft and allow massive distribution of the Microsoft's Passport program for use in everyone's browsers perhaps these death threats would stop because they could not be sent anonymously, besides AOL has there own version to and the consumer should have a choice. The Microsoft Passport program on browsers would have solved this problem but the Federal Trade Commission did not allow Microsoft to use such features, so the problem continues. By trying to slow down Microsoft at every turn, the Federal Trade Commission made anonymous emails possible and thus in hindsight one could say caused the SPAM issue, the Spyware and the Phishing, great work, the unintended consequences of metdling in the free market, must be all that law enforcement experience you proclaim there at the Federal Trade Commission? Why not go after the competitors who lie in false declarations submitted to the Federal Trade Commission, which lead the Federal Trade Commission to lose face over these issues? They are your enemies, which I guess is appropriate, as Stalin would say, because they are so close to the Federal Trade Commission. When inquiries can come into a franchisor's web site or call with the caller ID blocked then your proposed rules are making the problem worse. Only when the franchisor can know who is on the other end will your regulations be getting a tiny bit closer to reality since we as franchisors will know who we are really dealing with.

Here below is an example of the basic competitor computer scout, typing in garbage to get to the next screen or page on our web site, to see what we are doing, some would call this a novice and harmless hacker. Sure competitive intelligence is not a crime, but that does not mean we have to hand over list of germs stored at Detriech, Maryland, most franchisors guard their proprietary information better than that. Our country created Bio-Terrorism because we did not check the sources of inquiries. Just like full disclosure laws have helped create more competitive terrorism in the market place. We get about twenty of these type of computer generated leads per month on our web site with garbage listed in the boxes. I am certain when this does not work they have their wife, girlfriend or brother send in a fake inquiry and try again.

Option: #5			
Name: etsjje te ajtes			
Expertise: sryk sethj		Phone: 4654562434	
Address: 6565 dht shds			
City: htdhdshs	State: California	Zip: 90210	Country: United States

Current Work: yjfssy jy jfj js	Referred by: jsyjsy fj
Territory: rsjrjrsjtyh	Owned Business Before: rhtrhthsrtshrtrthr
Timeframe: htrtrthrhrtht	Capital: hrtrhrtrhrthrt
Web Address:	E Mail: 64277247@hssthjssjtrsjm.com

Of course many times our competition just can't help revealing themselves, such as the one below. At least he was honest about it. If you will look at this form it says under how he was referred to us, he put "know your enemies." It was so thoughtful for him to impart such wisdom, could this have been an off duty Federal Trade Commission employee? A competitor? Who then? Why? Yes, I agree you should know your enemies, In franchising it is the attorneys and competitors and appears it may even be the referees or regulators who are suppose to help us with free markets and level playing fields? Fat Chance? Enemy is a little stronger than competition don't you agree? This same individual came in previously under another name about two years ago, we were able to cross-reference his phone number. How many other times did he come to our page? How many times did he call for information? Hard to say. Would you guess three? Four, five? We are not sure we only know of two.

Option: #1			
Name: Steve D. Ford			
Expertise: 7 years of pragmatic detail bus. growth.		Phone: 909-303-9448	
Address: 31861 Corte Priego			
City: Temecula	State: California	Zip: 92592	Country: United States
Current Work: Mobile detail service provider		Referred by: "know your enemies"	
Territory: Various. Aircraft care is my new project.		Owned Business Before: Yes, detailing.	
Timeframe: current		Capital: opportunity	
Web Address: http://www.oncalldetailing.com		E Mail: ocdetail@yahoo.com	

Here is a recent message from a competitor who we called to discuss things with. He immediately started in on us in a hostile and belligerent attitude. "What makes

you so great?” “How can you help my business?” “I make \$400,000 per year.” “Why should I buy your franchise?” All good questions from his standpoint I guess, but this is harassment. He wanted to give us a hard time. Is he a consumer? Is he by Federal Trade Commission definition a prospective buyer? No, he is not interested in a franchise, he is interested in a fight. Why should we be polite to this guy? We believe it is best to tell him where to go and just leave it at that. How on Earth would someone expect us to offer this guy a franchise? His information looks okay, but this guy really started words with us. Turns out he is a one-man operation and lives with his girlfriend in her apartment. Interesting isn't it? We do not know much more about this guy except we assume he has blue eyes from his email address. Is the Federal Trade Commission really wanting to protect him from fraud and make sure he gets pre-immediate disclosure? I think we as franchisors should be protected from these people.

Name: Gary Dunsford		Phone: 850-458-1425	
Address: 4222 Mobile Hwy Apt 48			
City: Pensacola	State: Florida	Zip: 32506	Country: United States
Current Work: Gary's Deatil Shop		Referred by: add	
Territory: Pensacola Florida		Owned Business Before: Deatil Shop	
Timeframe: now		Capital: nothing	
Web Address: www.blueeyes199977@aol.com		EMail: blueeyes199977 @aol.com	

So where do the most fake calls come from? CA, FL, TX, NJ, PA, MI, CO, VA and D.C. area. The ones from the D.C. area we assume are government regulators wasting our time and playing games in Miss Harrington's Cyber Force Project at the Federal Trade Commission although some might be legit as DC is a dirty, dirty city and needs the services of Team Wash Guys? The fake ones from CA, FL, CO, PA, MI, NJ and TX are most likely competitors. We get the most people lying about their financial net worth from FL, CA, IL, TX, and GA. It appears that some of these people actually believe what they say or are pathologically challenged.

D.) Pre-Qualifying Applications.

Obviously by reading the above information you can see why franchisors have been forced to use pre-qualifying applications. In every single industry these days

they are enacting ‘**Know You Customer Laws**’, yet the Federal Trade Commission feels it in their power to make rule preventing you from knowing your customer. **I have mentioned International Terrorists risks associated with the current disclosure documents and hereby put the Federal Trade Commission on notice that they are causing a severe breach in our nations security and potential risks to the lives of tens of thousands of consumers and countrymen.** I have discussed jurisdictional problems of where the inquirer lives, works, will operate. Before disclosure a franchisor must know whom they are dealing with and what the laws are in that area. In the example we saw the problems of what happens when Jim and Sally and Joe are forced to do business in the United Countries instead of what we refer to as the United States. We have had franchise buyers living in Scottsdale AZ buying a franchise whose actual real place of residence was in a Chicago Suburb of Illinois, yet did not discover this until after the franchise disclosures were sent to their part-time rented house in Arizona. And as stated we must know if the franchisee would make a good fit. We cannot simply take someone’s money and set them up in business without knowing more about them. Nor should we offer a franchise to unqualified people who potentially might fail. We have a moral responsibility to the potential buyer to make them aware that a business may not be right for them. I doubt if anyone who has been in this industry very long would disagree with that. The potential franchise buyer has a moral responsibility to tell the truth, yet is not bound under any law, even the signing of the application under penalty of perjury is a joke, because have you ever heard of any litigation over such a clause in real life? Franchisors also have a responsibility to their shareholders, franchisees and employees to maintain a strong system and not allow unqualified or undercapitalized franchisees into the system. We have a responsibility to operate a business in a fiscally sound manner and not waste costs on sending out information to people we have no intention of selling anything to. The only way we can know that for sure is to have this application process. With that said, the proposed rules hold no weight.

E.) Which UFOC To Send Out.

In the case of our company we have multiple offerings for different market sectors. For instance Boat Washing requires a pontoon boat to go out on the water to wash boats, Car Washing requires a mobile trailer or truck mounted unit and Truck Washing requires a custom flat bed truck mounted unit. A full service fixed site is only for accredited investors, our detail shops are locations with in car dealerships and our co-brands with parking structures for auto cleaning services are only for parking companies and not the general public. If a potential applicant sends an email and asks questions, but in his email he does not disclose if this

address is his residence address, we very well could be sending a UFOC for a jurisdiction next door where he works, instead of the UFOC required by a registration state where he lives inadvertently violating state registration laws.

If a potential franchise wants to be in the washing business but he does not know which sector yet, we need to find out his needs otherwise we end up sending a UFOC to a person for boat washing who can't swim, has epileptic seizures or has no ocean, lake or river near them. If we do not know more about the person and their physical attributes we might send a UFOC containing information about our Truck Washing franchise in which he cannot perform and might over stress his body. If a female potential franchise buyer emails us under her boyfriends email address, we might send out a UFOC for the Car Wash Guys, when she was interested in the Car Wash Gals franchise. In the cases of other franchise companies who sell multiple offerings, the offering the potential franchise buyer might be interested in may have been sold and they need to look at their needs to see if any of the others available will still accomplish their goals for owning their own business. This can take several emails, phone conversations even a personal meeting and a truck load of questions, which the prospect may not feel comfortable answering in the beginning, as they may not want to admit they are so far out of shape or have health issues which are not our business. We cannot send them all the different UFOCs we have for every market sector we work in. And what happens when, and this has happened more than once, a potential franchise buyer lives in a place where three states come together. Two are registration states and one is non-registered and therefore will fall under the Federal Trade Commission guidelines, yet the potential buyer has not made up his mind which area he wants to franchise in? Do we send him all three? This person may live near the tip of Virginia by the borders of NC, TN, WV, KY and VA and want to market in a 50 mile radius which sounds about right for rural markets and contract cleaning. Since the Federal Trade Commission rules will be out of whack with the registration states do we send him the Federal Trade Commissions version on first contact and then he decides he wants the other city in the state next door instead, causing confusion to the potential franchise buyer, because the documents are different due to case law in different jurisdictions such as non-competes in right to work states, arbitration location rights or registration and notification rules. Or in my recent situation the buyer says there is a big airport in one city where he could wash planes and he will need extra EPA environmental equipment and licensing. The state next door has a city with a golf course and marina on a lake. And the third city has a huge distribution center of the tri-state area. I can think of many places this scenario could and will happen again. In this case there could be different franchise agreements since we do not put them all together like the Dwyer Group. Each one of ours is individually developed as not to confuse the consumer. Which UFOC do we send out?

There is always a debate on which jurisdiction the potential franchisee is coming from. For instance many franchisors do not register in place like North and South Dakota with small populations. It is not a target market and some franchises are not suited for inclement weather and migrant snowbird populations leaving in the winter. So if the potential buyer was a resident from such a location they would not need any disclosure, abbreviated or otherwise since that franchise is not registered there and cannot be offered. Again we cannot have the Federal Trade Commission arbitrarily make a decision that would never be followed by registration states, or for the Federal Trade Commission to supersede registration states and require a franchisor to send a UFOC to a potential franchise buyer who submits an email, lives in a registration state where the franchisor is not registered. Now how on Earth would the franchise buyer know he is in a registration state until someone tells them. They would be upset because the Federal Trade Commission said they can have one by simply contacting a franchisor and asking for a brochure by FAX. The franchisor may not have a list of all the new area codes that are updated. They change every month as you should know. It would be best if the Federal Trade Commission made a much easier and simpler disclosure and all states were forced to follow that, the states could then decrease their budgets for the extra departments and everyone wins.

I remember recently a young man from Guadalajara emailed me from MA. He was attending classes at Harvard Business School and wanted to be a master franchise in Guadalajara. So he should get the International Version of our Master Franchise Agreement, which we do not even offer in the US. He did not disclose the fact that he was a Mexican national until the fifth email. We assumed he was US citizen or dual citizenship. After all that is where we were going to send the disclosure documents to. He might even be a college student doing a project for all we know. This is why you need verification of all data on the application before you go around sending UFOCs to anyone who emails, claims to be a buyer or is wanting information. A franchisor must verify information, do a background check before sending the wrong UFOC and violating state franchise registration laws. If all the agencies would get their act (s) together then we could have the problem remedied and you could change the rule. One document, one set of laws countrywide. I have the utmost respect for Warren Lweis who has worked hard to get a universal filing for franchisors, this is what we really need. Although one without so much over regulation and disclosure.

Now let me tell you a common occurrence, a potential franchise buyer will ask to have something faxed to them. Let's say they live in IL or claim to but give you a fax number in Seattle, when you ask them about this, knowing it would be a different UFOC in IL than in WA due to changes **required** to be made by state examiners during registration. They say it is an E-Fax number, do not worry. Oh, but as a franchisor I have to worry, using an electronic medium or phone line to

send out a legal franchise offering or information regarding such, therefore CYA comes into play and I need this verified with signature on the application. And occasionally the potential franchise buyer finds us on the Internet or sees an existing unit driving around in a city he is visiting on business and asks us to send information to his hotel. His rationale is he will be there for a week or two on a project and will have time to read anything we send and he really wants his own business in his own city, tired of being away from family for long periods of time. Even dreads the lines at the airport after 9-11. Now if we send the information to the Hotel by US Mail and he likes the idea, but washing cars is not something this executive sees himself doing, so he hands it to the local contact there, who thinks it by far the coolest thing he has ever seen. Yes, there are laws to protect a franchisor from this scenario, however you can see how fast you can move from black and white to gray. Think of a franchisor, yes a company like ours but bigger who has 100 people in the buying process at anyone time. Trying to keep track of all of them and folks as good as some of the IT vendors are on the IFA website few I have ever discussed this with can handle all our criteria to keep track of such prospects and make sure that the digital tickler keeps track of everything and even if it did, the laws and franchising rules change enough you could still get yourself in trouble and open yourself up to litigation. Occasionally a flighty salesman maybe in the loop. A salesman who is honest, but jumps from one job to the other, really looking out for the biggest commission and best offer for his sales ability. They jump around a lot as you know, maybe Zig Ziglar wrote about that in one of his books as a good strategy, I don't know. You might have been able to keep the salesman, but with the new proposed law you had to cut commission structures to pay for extra people to comply with the over regulation and printing of all the new UFOCs. Now you have a prospect with the wrong UFOC, in the wrong place, you do not know if he has been working with one of your salesmen or not. You do not know if the prospect is unqualified as matter of fact the prospect may never be qualified and has a background check problem for all you know. All of this is no matter or excuse a simple slip up and you open yourself up for litigious abuse.

This type of scenario will be compounded with 48 stories of UFOCs each year floating around with many of them out dated, out of jurisdiction or in the case of multi-model franchisors, the wrong franchise offering for the wrong person, for the wrong area, for the wrong reasons, with the wrong prices and stipulations at the wrong time. Sounds like Kerry's famous quote during the election about the wrong place, wrong war and wrong time. Ouch, if that will not lead to more complaints to the Federal Trade Commission, I do not know what would. Of course more complaints help the Federal Trade Commission show the GAO that complaints are increasing and they need more budget to make MORE RULES. Here we go again. Looks like I will be writing more letters like this one twice a year for the rest of my life. Maybe I should hire an attorney to write letters or a

staff member and then pass on all those costs to the Federal Trade Commission's wonderful consumers who can do no wrong. Some one has to pay for it. These proposed rules will make it very difficult to see that the franchisee receives the correct UFOC information, which is appropriate with every email, direct mail or fax response.

F.) Misconceptions Of The Value Of The Early Disclosures in Franchising.

I know when I personally meet a franchise buyer whose application form is approved and hand them a UFOC with attachments and watch their jaw drop and then their hand drop when they clutch it in their hands (due to the weight of the 180 pages), I see a blank look. I apologize every time for my unreasonable government and the US legal system for the rules. I tell them it is to protect them and put up my shoulders and they usually say something like "Yah Right." A franchise buyer who wants to buy a franchise is not going to read and expect to understand every clause, nor are most franchisors going to enforce every clause. You can't, you would not have any franchisees left, just ask McDonalds or talk with a few of their regional representatives, it is a constant struggle to keep consistency, it is the same in the government, as agencies make regulations which often conflict with each other. Try to open a location some time and listen to the Planning Commissions comments and then pit those against the fire inspector, sign ordinance, ADA compliance OSHA inspectors, etc. and really it does not matter what state you are in count on an additional cost to the TI work or construction of 50% of estimated, it is a cost of doing business, all regulation is and that cost is put right back on the consumer that the Federal Trade Commission's rules and regulations are suppose to protect, throw in a few lawyers and you have yourself Wesley Snipes feast like the movie "Blade:" as the Vampires eat up your consumers in a blood bath. It is the franchisors job to protect them the best we can, but we know in the end these regulations cause business failures and harm to these prospective franchisees. This rule making session is no different, here we are discussing increasing regulation, if we want franchising to flourish as per Secretary Snow's most recent comments we will need some tort reform and some serious Federal Trade Commission regulatory relief, please make a note of that. We are on a crusade and we know we are right. There are too many laws in franchising and too much regulation. Many times a franchise buyer will ask me, "What the hell does this have to do with washing cars?" I really cannot answer what I really think, I would launch into a tirade that would last four hours full of more examples than I care to write in this **brief letter**. I could write a book after all we have only discussed a few of the proposed rule changes, most of which are merely definitions.

The fact is that we are a mobile car wash franchise for the most part and that is a relatively easy and simple business, yet are so effected by all this is a sign that we are stifling American business. As much as the professionals care to argue to the contrary, all these laws and even the franchise just are not needed, just like those who call themselves attorneys in franchising are not really needed more parasitical than anything, some mean well, but they are so few in numbers. Neither is all this regulation needed and surely not anymore than already exists. You can sit and argue why the rules and all the laws are necessary, but you will never convince myself or franchise buyer of it, unless you form an anti-franchisor group and run it like a union hall which is what is happening in the franchisee rights groups arena. I know this because I served two years on the AAFD American Association of Franchisees and Dealer's Board of Directors. Has anyone stepped away from the box long enough to see how absurd this is? I have stood for franchisee rights, I am a franchisor, I have view this huge elephant of franchise rule from every angle and it is a ten ton elephant, it is not a rope, it is not a tree trunk, it is not a fire hose. It is a ten-ton elephant and we need to move it the hell out of the way. Why not use it to run block and clear out some regulation and re-align the chaos at the Federal Trade Commission. Are we all so engulfed in the words of the statues and rules that we cannot see what we are doing. Forcing some businesses into the franchising model that should not be there, forcing the square peg where it does not fit. **Half the time it appears we have lost site of the peg and it has found itself in a place where the sun don't shine. Thank you for keeping it safe for us, but really the Federal Trade Commission does not need to go that far.**

There are enough rules, and rules about rules and findings about rules, and opinions about rules. We should tread lightly, before we make more rules. We should look at all the consequences of the rules we make and try to find fault with the rules we already have. The Federal Trade Commission can spend time debating which rules to axe rather than which rules to enact. This will definitely keep them busy, and it puts them in the distinct position of being part of the solution instead of the problem. Wouldn't that be a great day for America?

For these reasons, we should not allow the triggering of required disclosure to mean "the approaching" of a prospect buyer or use the term prospective buyer or franchisee to replace what is currently in play. We also should give complete free-reign to franchisors to decide when the UFOC is to be given and to whom as long as it is given in prescribed time before the sale. This will ensure that the franchisor does not lose proprietary information to competitors or to government agencies whom have been know to be unable to keep secrets. Watch the news, review current events and US History for examples.

Digital Signatures and Online Disclosures Issues Addressed on Page; 67

Franchisor's wanting to save money in mailing of UFOCs will eventually have no choice but to have an online document. To protect this online document from alterations made by a recipient we would have to use a ".pdf" format which would mean that a complete disclosure document of 180 pages would take about 30 seconds to 5 minutes to appear and quite a while to for potential franchise buyer to download depending on the speed of connection. You know what would happen? The prospective franchisee would just turn it off and click to the next web site or go to the Federal Trade Commission's site to complain on their easy to use, all comers "complaint form". Soon the speeds will gap the digital divide and it will be simple to quickly retrieve large online documents, although most franchisors will opt out due to the proprietary information, which will be distributed in the process to unscrupulous competitors. **What really needs to be done here is a complete overhaul making the entire disclosure procedure easier, simpler and less bulky. It needs to be trimmed down just like most agencies in the government and many American bodies according to the latest obesity health studies by the Berkeley Wellness Letter, which many at the Federal Trade Commission read each month with conviction. Downsize the documents. That would be most helpful to consumers.**

Interestingly enough it is fun to watch the Federal Trade Commission attack all the dieting companies, when in reality they could stand to trim a little fat in their own agency, not to mention in the franchise rule?

If the information was available on the web now, name a consumer who would want to wait to download it, read it online (taking 2 hours for a speed reader) without getting cataracts or waste a printing cartridge to print it? It would cost the consumer more than \$.05 per page to print the document on a Cannon Bubble Jet or HP Desk Jet. Have you ever tried to buy a cartridge for your PC at Office Depot or Staples or tried to refill those darn little things without spilling the ink because they purposely make it difficult so you buy a new cartridge instead? **A person staring at a computer screen for 2 hours reading a set of disclosure documents would fall asleep. Is the Federal Trade Commission wanting to help America with insomnia from the stress caused by the post 9-11 network media?**

Hey I know maybe the Federal Trade Commission can go after herbal sleeping pills next? Or ink cartridge replacement fillers. The Federal Trade Commission ought to get on the ball and submit to the industry a standard for the new online signature technologies. I will be happy to assist with this review it since I am more than up on this subject. That is the technology we really need and it is here

and we appear to see the future moving us in that direction along with absolute email verifications as the Federal Trade Commission is hosting some seminars on that, good for them. Move into the future with the industry. Do not slow us down with ridiculous rules that hurt consumers and franchising. That is lose/lose. It just makes everyone hate the Federal Trade Commission.

What if the consumer in their exuberance contacted 15 franchises one day while surfing the web for franchises? 15 franchisors sending that amount of data to a consumer's AOL email address would take a little over 3 hours if you are on a 28.8 Internet speed that day. 1.5 hours at 56K. And do you really believe a franchise buyer (a real one) is going to want to continue discussions with various franchisors and compare them when every one of the franchisors sent them an email bomb? That used to be what off duty Federal Trade Commission people did in their off time. (This information overheard from Federal Trade Commission government employees while at Washington, DC Starbucks, not the same Starbucks where the intern was shot, the one across the street from Federal Trade Commission on Pennsylvania Ave.) They sent the Holy Bible from a CD ROM to email addresses of webmaster's of porno sites (your basic email bomb). I guess you could send Encarta it is much bigger with more information (too bad you hate Gates), but the Bible did have irony. I laughed as I overheard that, now I am not so sure. And don't ask me to do this to innocent citizens and consumers who inquire about our franchise. I own a business. I am not allowed to break the law like that. Must be nice to be above the law, but as we recently all learned they normally do not hire law enforcement people with over 104 IQ.

If franchisors do send out their UFOCs by email then the Federal Trade Commission will get complaints from consumers with crashed systems, who cannot get their email. Ever work at a help desk? I have, franchisors are just like a giant help desk. People get pretty ticked when they cannot get their emails. This will force the Federal Trade Commission to revise the new rule and make up another rule saying no unsolicited UFOCs may be sent through email, in other words we have to send out the information, but we must get confirmation and we have to mail it, even if we do not have a correct address. Similarly the Postal Workers will complain about the excessive weight of these UFOCs if four or five arrive on the same day to a single residence who got online 10 days before (time it takes to get something in the mail these days) and rifled off emails to franchisors with various questions pertaining to the possible purchase of a franchise. **The poor postal workers, first anthrax and now broken backs.**

I see in this report someone threw out the idea that sending first class would only take three days and could be calculated as such for the new two-week or 14 day rule, glad to see someone is thinking there.

Then the Federal Trade Commission may make a rule that instead the information must be on your web site. Good idea, but where is the franchisee coming from? You can have an ISP, which is no where near the state you have your legal residence in. Which UFOC are they allowed to view? What if they download the one from a registration state they are not in? And then who is paying to keep it updated. And which one do you put up if there are 11 registration states, multiple Canadian Provinces, notification states and the Federal Trade Commission version, all different, not much but they are different. And web people last time I checked still do not work for free yet. Even the "dot bombers" still make in excess of \$60.00 per hour and what will it cost for an SQL or XML database system to be created to search by zip code. Last quote I got was \$5,500.00 and that was only because we have done lots of business prior with them. And realize that there is a shortage of these people in the country who are really good at the XML technology due to the new VoiceXML markets about to open which will crash all the telecoms forcing more people to try to buy franchises. We just saw last week Vonage out of NJ win in a recent FCC ruling, well that ought to shack up the industry a tad, but back to franchising. Perhaps the Federal Trade Commission can pay for this technology and give it to franchisors to put on their web sites so people can view their documents, but shouldn't it be a shortened version like the example below presented in a standard format. You can then keep the UFOC rule of disclosure of ten days business days, change it to two-weeks, 14 days before purchase or eliminate it all together for the actual real or legitimate franchise buyers who have received a complete UFOC document. A shortened document in the mean time on a web site could contain enough information for a potential franchise buyer who is real, does not give away too much information to competitors, creates no email bombs, does not cause excessive expense to print non needed UFOCs. Also it can have ranges so it can fit multiple franchise model or module available and many different states, as for the most part these are consistent in the registration states and the Federal Trade Commission. Something like this in three to five pages for easy comparison for consumers posted on the web sites. If a franchisor has multiple jurisdictions they can create multiple pages for the potential buyer to go to.



Pre Franchise Offering Circular Basic Information

WashGuy, Inc.
An American Corporation
12345 Local Road
Anytown, USA 67890
1-888-WASH-GUY

SAMPLE

The Franchise is a portable car wash system capable of on-site car washing. The Franchise fee is \$20,000. The estimated initial investment required ranges from \$88,250 to \$116,600 including the franchise fee and \$10,000 of cash on hand for initial working capital.

Risk Factors:

- 1. THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS BY YOU BE SETTLED BY ARBITRATION ONLY IN AMERICA. ALL DISAGREEMENTS BY US MAY BE SETTLED BY ARBITRATION OR LIGATION IN AMERICA IN OUR SOLE DISCRETION. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN AMERICA THAN IN YOUR HOME STATE.**
- 2. THE FRANCHISE AGREEMENT STATES THAT AMERICAN LAW GOVERNS THE AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS YOUR LOCAL LAW. YOU MAY WISH TO COMPARE THESE LAWS.**
- 3. THERE MAY BE OTHER EXTREME RISKS CONCERNING THIS FRANCHISE AND YOU MAY LOSE ALL OF YOUR INVESTMENT.**

Information about comparison of franchisors is available. Call the state administrators listed in Exhibit D or your public library for sources of information.

Registration of this franchise with the state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in this offering circular is untrue, contact the Federal Trade Commission and/or State authority.

EFFECTIVE DATE: Jan 1, 2002

ITEM 7
INITIAL INVESTMENT

SAMPLE

Payment	Low - High Amount	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	\$20,000 ¹	Lump Sum	Upon signing the franchise agreement	Us
Fee, Travel And Living Expenses While Training	\$2,000-\$4,000	As incurred	During training	Airlines, hotels, car rental agencies, restaurants, trainers
Uniforms, Stationary, Initial Cleaning Supplies, Licenses, Insurance	\$2,000-\$2,500	Lump Sum	Before opening	Vendors, state or local government
Hot Water/ Pressure Washer And Other Equipment	\$15,000-\$17,000	As required by vendor	Before opening	Vendors
Credit Card Machine, Cellular Phone, Pager	\$250-\$1,200	Lease or purchase	Before opening	Vendors
Computer Software And Hardware ⁴	\$0-\$2,000	As required by vendor	Before opening	Vendors
Fax Machine	\$200-\$400	Lump Sum	Before opening	Vendors
Vehicle Signage	\$300-\$1,000	Lump Sum	Before opening	Vendors
Truck	\$19,000-\$29,000	As negotiated with dealership	Before opening	Auto Dealership
Truck Bed	\$6,000-9,500	Lump Sum	Before opening	Vendor

Payment	Low - High Amount	Method Of Payment	When Due	To Whom Payment Is To Be Made
National/Regional Advertising Fund – Three Months	\$0	None	None	N/A
Working Capital	\$3,500-\$10,000	As incurred	As incurred	Vendors, Employees, Us
Total	\$88,250- \$116,600^{5,6,7}			

SAMPLE

¹ The \$20,000 Initial Franchise Fee may not be uniform for all franchises now being offered by us. See Item 5 for conditions when this fee is partly refundable.

² Your computer must have the following performance or greater: IBM compatible 1.0 GHz Pentium, 164MB RAM, 20GB hard drive, 10x CD-ROM, 56 Kbps modem, Broadband or Internet access via ISDN, DSL, Satellite or cable modem, zip drive backup, mid tower and a 15” SVGA monitor or Dell Inspiron 7500 Lap Top. You must have a 600 x 300-dpi or greater quality printer. Also, you must have a Microsoft operating system, Microsoft Office 2000 or newer and Intuit’s QuickBooks Pro.

³ This estimates your initial start-up expenses. These expenses do not include payroll costs, if any. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your business. Your costs will depend on: how much you follow our methods and procedures; your management skill, experience and business acumen; amount of time and energy you spend on your business; local economic conditions; the local market for our service; the prevailing wage rate; competition; and your sales levels reached during the initial period.

⁴ We relied on over 20 years of experience of our founder in the mobile car washing business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

⁵ We do not offer direct or indirect financing for any items.

FRANCHISE AGREEMENT BASIC INFORMATION SUMMARY

1. **GRANT OF FRANCHISE AND FRANCHISE LOCATION**
Franchisor Name and Address: **WASHGUY.COM, INC.**
Term: **5 Years with automatic renewals**
Location: **As stated in Franchise Agreement Exhibit 1**
2. **PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS**
Initial Franchise Fee **\$20,000**
Monthly Royalty Fee **\$600** SAMPLE
Monthly Advertising Fee **\$100**
Late Payment Charges **12% per annum**
3. **TRAINING**
Initial Training
Location **Regional Team Locations**
Duration **At least 40 hours**
Supplemental Training
Location **Regional Team Locations**
Duration **Varies**
4. **COMMENCEMENT OF OPERATIONS**
Time Within Which to Commence Operation **60** days after agreement signed
5. **FRANCHISE STANDARDS OF OPERATION**
Standards of Operations
Operational Manual to be delivered **At commencement of business operation**
6. **RENEWAL, TERMINATION AND STEP-IN RIGHTS**
Renewal Terms **5 terms of 2 years each**
Termination By You **You may not terminate**
Termination By Us **Upon 30 days notice, opportunity to cure**
Except breaches listed in Section 6.1
Post Termination Noncompete Duration **2 years**
Geographic scope **35 miles**
7. **TRANSFER**
Transfer Fee **not more than \$10,000**
Right of First Purchase **20 days notice required**
8. **INDEMNITY, INSURANCE, CONDEMNATION AND CASUALTY**
Minimum Insurance Type and Level **\$1,000,000 Comprehensive**
9. **NOTICE AND MISCELLANEOUS**
Choice of Law and Venue **American laws apply**

I believe that some easy to use format such as this sample that is quick to read and standardized on a web site will allow a franchisor to communicate with the Channel Surfing, Internet Clicking, Road Rage Impatient Consumer at the speed they wish to receive the information without incessant costs to franchisors.

Give the customer (consumer) what they want and everyone wins in this. The Federal Trade Commission can have better disclosure, franchisees can quickly compare and evaluate franchisors who will have no printing waste. It will actually enhance a franchisors efforts by saving them the time they spend explaining their system to potential buyers who will be able to see for themselves whether or not they can afford the franchise and eliminate themselves from future screening processes saving more time for the franchisor. This may add to increased competition by franchisors trying to have the better deal at a better price, since consumers can now compare more easily. Or it may cause a simulation of price fixing although it is hard to say. Once the Microsoft Passport verification is done or whatever Gates and AOL and the others figure out, the potential franchisee can be forwarded to the screen containing this mini-disclosure online. Thus the true purpose for the Federal Trade Commission is being served without attacking the fiber of American Small Business and the greatest business format ever created in the history of mankind. Then we can get rid of most of the MUD and the agreements between franchisors and franchisees will be their sole choosing and follow the laws of free markets where buyers and sellers come together by choice. You like?

I am in no way advocating this (my) sample as the only way. It is one possible way that may work. The industry along with the Federal Trade Commission can come up with a format that makes sense. Within six months everyone will be in compliance or receive a letter from the Federal Trade Commission and a cover letter from the NFC and IFA with the format in an email and instructions for the not yet in compliance franchisor to forward to their web designer implementation in a few days, problem solved. I chose this sample because **Items #6 and #7 are most important to the franchise buyer and the first page of the UFOC is important to Federal Trade Commission and the summary in a table of the franchise agreement is important to the understanding of the deal these components should be in the quick form on the web sites, you can call it “Federal Trade Commission-EZ”** similar to the 1040EZ.

Another way to solve this problem is to make the “Federal Trade Commission-EZ” form in Warren Lewis’s Easy to Read, “Plain English” Style but the same format as the required disclosure from Mexico. They have 10 Items. All very basic yet very important and Mexico was careful to point out in their rules that a

franchisor was not required to put anything in the pre-agreement disclosure that was potentially proprietarily confidential. These same ten items could be on the Franchisor's web site after a prospect puts in their information. We need one rule for one Planet, not multiple states rules and rules upon rules from the Federal Trade Commission. That is bad for a one-world economy, that is bad for free trade, and that is bad for the competitive knowledge base of American Companies. As jobs for manufacturing continue to leave to other countries where wages are lower, all that the US will have is knowledge to sell, know how. If Franchisors are required to give all their knowledge away for free to anyone from anywhere who asks for it, how can they survive and continue to innovate, yet still support the many consumers who have already purchased, the franchisees (consumers) in their system? We cannot afford to have massive failures of small business in this country and if a franchised small business cannot survive, no one will. It seems Mexico's system is better than ours in this regard and does not require the giving away of free information pursuant to rules of over disclosure. Too bad their government is corrupt. But this is a good start for franchising.

In November 23rd, 1994, the Mexican Government promulgated the regulations under the Industrial Property Law, all of which came into effect on December 8th, 1994. Pursuant to Article 65 of the Regulations, the franchisor is obligated to disclose the following ten items of information:

1. the name, corporate name, address and citizenship of the franchisor;
2. a description of the franchise that is being granted;
3. the amount of experience of the franchisor, and to the extent that the franchise is being granted pursuant to a master franchise arrangement, the experience of the master franchisee;
4. the intellectual property rights that are being granted pursuant to the franchise;
5. the amount and the nature of the payments that are to be made by the franchisee to the franchisor;
6. a description of the services and technical assistance that is to be provided by the franchisor to the franchisee;
7. a description of the geographical area in which the franchise is to be operated;
8. disclosure as to whether the franchisee is granted the right to grant sub-franchises and under what circumstances and conditions;
9. the extent of franchisee's obligations with regard to confidential information provided to him by the franchisor;
10. a description of the rights and obligations of the franchisee under

the terms of the franchise agreement.

It is clear from this list that the disclosure requirements that are placed on a franchisor really represents a "minimum" but are still comprehensive. Apart from the disclosure requirements under section 3 above relating to the experience of the franchisor, all of the other information is information that would normally be included under the terms of a typical franchise agreement. In addition, the Regulations do not appear to provide for the submission or filing of the Disclosure Statement with any governmental agency for its approval.

A system such as this for abbreviated disclosure on a web site would be worthy and advisable anyway. It could easily be put on a web site in a ".pdf" format, which would only take about twenty seconds on most computers to download since it would probably be under five or six pages. By using a ".pdf" format the information could not be altered. What is also nice is that it would not have to be submitted or reviewed by the Federal Trade Commission and if adopted by the Canadians it could become standard in all North American Countries. I am sure Brazil would oblige after their recent commitment in Canada at the North American Free Trade Summit. Imagine if all the states would have a one filing program that would still be recognized by the Federal Trade Commission. All this work has already been done by Warren Lewis and I have yet to talk to a state examiner from a franchise registration state that did not like his idea. The other neighboring countries would all be on the same page with regards to web site disclosure of minimums. Then we would not be promoting barriers to entry from new franchisors with great ideas and ways to help standardize industries helping consumers understand what they are buying. New franchisors would see this document on all the franchisor's site and copy the format, in addition I can put the instructions on my www.Franchising.org site which ranks number one on Goggle under franchising, the Federal Trade Commission can put them on their site and the IFA can put the instructions on their site.

I almost feel at this point with over 40 hours into this letter and just over half completed that the Federal Trade Commission owes me money as a consultant for doing their job for them. I am assisting you in your proposed rule changes that you are spending probably over \$250,000.00 on with all the staff time and public comments. Every time the Federal Trade Commission proposes a change to any rule it should have an absolute cost study of the real cost for the project, not lumped into the general fund. It should have absolute data proving that such a rule is necessary that can be reviewed like any typical academia project. It should have sufficient complaints, all verified as real people, consumers.

I recently read in Larry Elder's latest book "The Ten Things You Can't Say in America," that when Disney came under fire for discussing real society issues like this on their weekly TV show they received thousands of complaints. "As near as we could tell, 'the protest' consisted of no more than 30-40 people using computers and fake addresses created an avalanche of complaints." The book goes on to explain that they eventually contacted 17 of the 30, the others had given fake information, so they invited these people down to Disney, only a few showed up, ate the food, pocketed the rest of the food and still made demands of what they wanted. The network show to end. These are similar tactics that the Sierra Club uses to stop projects and Jesse Jackson uses to incite media tension to collect donations. The Federal Trade Commission often condones these franchisee rights groups, consumer protection groups and general email and phone complaints. Then as we are seeing now move to act upon such outrageous complaints and demands. It is so unfortunate that such ridiculous proposed rules have even been able to come this far. **Right now more than ever government should be working with American Business and Industry to unite all in harmony, help us out of this recession and move forward for a more prosperous tomorrow. If government does not move towards the goal of unity, it will not be needed in the regulation of American Business, because there will be no more American Business to regulate.** Government is not the only one wasting money, taxpayers (consumers) money. Free enterprise is also turning in thousands of what should be billable hours discussing these proposed rules amongst themselves, in seminars, online forums and in letter form. By the time this letter is done pointing out suggestions and the fallacy of a need to added rules, I personally will have 100 hours in this project myself. All of this is unnecessary. I would like to have the contact name and address of the Federal Trade Commission's accounts payable department to send my invoice from Lance's Consulting Service. My time needs to be spent helping our current franchisee's (consumers) accelerate in business so they can feed their families, send their kids to school and maintain their American Dream.

The Federal Trade Commission's job is not to promote more barriers to entry to stifle free enterprise and entrepreneurship. The Federal Trade Commission's job is to protect consumers both current franchisees who HAVE already purchased and potentially future franchisees who MAY purchase without limiting choice or stifle competition, two elements essential to free enterprise. Call me a free market fundamentalist if you wish, but neither Allen Greenspan, Ayn Rand or President Bush's Secretary of Treasury Snow would disagree with that statement.

11.) Public Vs Private Company Required Disclosures.

There was some talk in this report by franchise attorneys who specialize in suing franchisors and some franchisee rights group's fill in the blank complaint letters signed by various members of that group which seem to indicate that franchisors should disclose their company owned outlets financial information in the UFOC and that it should be made available immediately during the inquiry phase of the sales process. I must disagree entirely. We are a private company, not public and I retain 100% of the equity in the company and also the trademarks and logs, brand name, etc.

There are many reasons why people run private companies and forgo the riches normally or previously associated with an IPO, there are some huge private companies in the world, which you may not realize keep their information close to the vest. Some huge brand names are also owned by these private companies, the information is not available to the public, nor do they wish to divulge it. There are more and more companies going private and the curse of being de-listed from the NASDAQ is no longer the kiss of death it once was, as a matter of fact there was recently an article in CFO Magazine titled: "De-List Me Please." Why? Because of the over regulations and the cost of compliance of Sarbaines Oxley and the penalties which might be instituted if they forgot to cross a 'T' or dot an 'i'.

My company a small franchise company among other things is private and for a good reason. I decided to do it the hard way and therefore keep 100% of my company and be in control of it. I also chose this strategy so as to keep the information associated with my 25 years of hard work and mistakes that I built out of my business model secret, it is available only to franchisees and only the information on an as needed basis for their ultimate success. I intend to go all the way. It is much harder and riskier to do it this way due to the possibility of a much larger and more well financed competitor coming along and copying my

system and expanding faster than I due to their organizational size and business contacts. With greater amounts of money a competitor could have easily in the beginning have wiped us out by advertising and selling franchises in the territories we were about to enter. With our knowledge and not having to go through all the prototypes, hard knocks experience and having all that immediate proprietary information they could have done it quicker. Now that we have come this far it would be difficult even with millions of dollars of start up capital to compete with us in our markets and the mobile car wash industry. Even with many millions at their disposal I would still bet on our team. I had to work harder than everyone else and had to eat Top Ramen many days during the building phase. Even go without sleep many nights to get all the work done that was required, much of which was unnecessary to actual operations, but was imposed by governmental agencies like the Federal Trade Commission, the loads of paperwork are insane, CYA, documenting every phone call, in case of lawsuit. Actually as I write this letter it is 1:37 AM on this time zone as I am traveling, yes fatigue sets in, but there is work to be done. And as far as franchising is concerned, I am concerned and someone has to enlighten everyone as to the reality of the market place and the over burdensome regulations which are killing my country and industry. It is not as fun as it use to be. I am certain this level of hard work and sacrifice is what killed Ray Kroc, Dave Thomas and Sam Walton and others prematurely. Now that I have got this far and not out of the woods by any means, I see that the newest proposed disclosure rules to be modified and ratified and enacted.

Now the Federal Trade Commission wants to have me give all my secrets and all my hard work to any body I talk to, send an email to or shoot off a fax to without me or my staff knowing who these people really are? My god, have you ever worked 17 hours a day, 7 days a week and skipped sleep every other night every other week? I have between the years 1990 and 1999 and from 1999 and 2003 even less sleep without any days off or summer vacations in the Hamptons or winter excursions to Boca Raton FL (Zero Days off). Have you ever tried to run a franchise business and still comply with all your rules and the rules of all the other agencies such as EPA, OSHA, IRS and others? You want to level the playing field while I am still running up hill? For my competitors, the people who cannot and will not work this hard? Why? They do not work as hard, care as much, study as much, perhaps are not as smart or smart enough to stay out of this regulatory nightmare of an industry. Why are we making rules which punish the best and hardest, most caring franchisors. I do not accept that. I cannot accept that. The Federal Trade Commission must not be allowed to succeed in destroying America or stifling free enterprise.

An Olympic athlete has to work harder to win, harder than anyone else. It is like you expect every little franchisor to be a Lance Armstrong and battle the cancer of government, the hills of France with competitors trying to make you crash along

the way, then telling you not to compete next year to give someone else a chance? Are only super stars allowed to be franchisors anymore? Either you have to be a billion dollar company and claim exempt status, hire an army of S2D2s or a super star little guy with Armstrong qualities and when someone like that comes along you try to find a way to cut them down? No matter what the Federal Trade Commission does I will survive. I never give up, but how many people follow that Winston Churchill or Calvin Coolidge mantra? Not many, however you maybe condemning the next up and coming, that shiny entrepreneur innovator who will change the world and develop a great business using the franchising model. What if Ray Kroc gave up, Colonel Sanders, Rosenburg, Monahan or Dave Thomas; these are just a few of the great names in franchising are saying to me and others who follow, that they are not to exist, even as we sacrifice everything for the chance, a chance to pursue and to participate in all that makes America great? Is the Federal Trade Commission saying there is no more room for anyone at the top and it appears that the franchising ladder may allow some of them to actually get the carrot, which is dangling overhead? Have you ever in your entire life ever had that much passion for anything. No, hell no, you sit behind those desks and push paper and think you understand the franchising industry. That just is not good enough anymore. I don't accept that, it is incorrect and an unacceptable answer. The franchising community deserves more, so does the consumer and so does America. If anyone at the Federal Trade Commission really has passion for justice then clear the field, keep it level for the entrepreneur, if you can't do that, you are living a lie. If you truly have passion for justice, then do your job, make it a reality, clean up your own department. We need to stop this over regulation, which steal from the Jim's, Sally's and Joe's of the world and turns them into criminals and calls them fraudulent and then hands it over to the S2D2s who are need of a little less power and a lot more scrutiny. The system is broken the Federal Trade Commission owes America the truth and has a responsibility to the most important pedestal of our civilization they represent. Do not let the franchising industry down. We deserve more.

What about the all these new comers, who do not know the reality of the game? What about all those new innovations we may never get because we were so quick to judge at the Federal Trade Commission? New innovations that can use the franchise model to grow and to supply the demand to those consumers who desire the services or products of the new technology, methods or items that may improves quality of life for all Americans. Has it been so long ago that we forgot about the Singer Sewing Machine, it was companies like these that started it all. What has happened to America. I for one have had family members risk their lives in battle so we as Americans do not have to stand in line for potatoes or salute a swastika. But just the fact that I have to waste time to explain your job and the reality of the start-up franchisor to you at the Federal Trade Commission because of the passion I have for Free Enterprise, the American Dream and

franchising proves the system is full of holes. Nobody at the Federal Trade Commission should be sitting around a table dreaming up new rules in the first place and they should never be asking attorneys what they think about those potential rules. After all they make money off of the rules, where new businesses lose money because of them. As we climb out of this hole called a recession, we do not need an extra backpack full of cannon balls. You should be looking at ways to incorporate new technologies for the betterment of all. Ways to streamline your own set of rules and to get rid of the old rules that are no longer of any value, all those rules which have no purpose anymore. If you enact these new rules, and change the game plan on me and other smaller franchisors and I would have known this years ago my strategy would have been a lot different. I would have done an IPO six years ago and would have been able to move faster, accomplish more and all I would have had to give up is a percentage of my business. The same percentage of my business that I will not be able to achieve by being slowed down in the market place by these newest proposed rules. As a matter of fact I may have opted out of the franchise model and actually made more money in the process, ate at better restaurants, been able to help more people and not sacrificed my health along the way from sleep deprivation and truck stop food during my travels in building my franchise. The franchisors in this country have been wronged and we took the brunt of the economic recovery on our backs. A recession caused in part by the Justice Department failures during the dot com bubble and the non-enforcement where there should have been during the Clinton years.

I have been to all 50 continental states in the last five months, I have been to every city in this country over 10,000 population. I am tired but I must persevere because that is what it takes, I cannot give up. I ask that the Federal Trade Commission walk the walk and work as hard as I do to make things right. Am I of the last franchising entrepreneur founders and watching the gates closing in on me in the franchising industry, no more Jims or Sally start-up franchisors? I better not be, this is The United States of America, we must not allow that to happen. I will make it through in time, but what about the rest. We franchisor founder type, small franchisors are a dying breed, literally due to all the governmental restrictions forced on the franchising industry, with over regulations impeding the most normal ways people do business in free countries. I am not sure if there will be anymore Ray Krocs, Tom Monahans, Dave Thomas's. All I know is that I hope to be one and will not quit till I get there even if it kills me, and it just may. I am very upset to the way I have been treated by the Federal Trade Commission, very upset at these potential rule changes, not the rule changes themselves as there needs to be some changes, but the focus is all wrong we need to cut regulations not add to them, provide a patch work of quilting or clarification of minutia, no we need regulation reduction. Everyone should be outraged that you are destroying all that is good in America, franchising is so good, it is the greatest way to allow

free markets to do their job. How is it that people who do not know anything about what it really takes to win in franchising, can sit in a room and make laws and rules against the greatest business model this world has ever known. Franchising. Our own government is set up similar to the franchising model and it has dominated modern culture for over 200 years and made us the greatest country on Earth, if we are passed by China in the next few decades it will be because the 3% of China's GDP which accounts for franchising swells to the over 1/3 it accounts for in this country. The Federal Trade Commission if it refuses to reduce regulation may as well put up a Chinese Language intelligent tutorial website up because this is in fact what we will all be speaking in 20 years. The only thing that will kill franchising is the government itself. The same thought process that permeates the Federal Trade Commission and many other agencies will be our demise, over regulation. I say walk a day in my shoes. It is not as easy as it looks. Do not destroy America with MUD in an avalanche of over regulation in the middle of a strong economic recovery. Why do you attack the franchising industry, which is the same industry and model that built this great nation and the same model, the only model, which can unite the world, feed all peoples of the Planet and thus stop international terrorism and prevent wars?

The potential Federal Trade Commission rules themselves will probably come and go and some maybe enacted, but without reduction, it will only lead to more MUD, more regulations, more lawsuits and more patchwork in the future. The travesty here is that they were are considering expanding regulation in the first place. That proves how out of touch government is with the reality of the market place, with the reality of freedom and it proves that there is a systematic unspoken plan to turn America in to a jobless wasteland. That is scary and many people from Thomas Jefferson to our current President, from Adam Smith to Allen Greenspan have warned us about incessant bureaucracy. Why does it take a guy who just washes cars, travels the country in a motor home setting up franchises to bring this to the forefront. Why is it that the blob of bureaucracy marches on against the flow of reality, with no destination in mind except maybe some beehive of humanity and the Utopian promise of a high-bred of socialist communism?

Why is it that everyone is treating this like it is okay? That it is okay to crush the Jim and Sally and Joe's of the world, to use them as bait to justify the systems need to uncover fraud which does not exist in franchising? Even the attorneys who think the Federal Trade Commission is full of crap are being so polite and so cordial in all of this, as I read the letters and letters from the past public comments on proposed rule making changes I see such a wonderful professionalism. It is not deserved, some one has to call an ace an ace and a spade a spade. The Federal Trade Commission is way out there, the attorneys at least are true to form in their normal market exploits against reason and reality, entrepreneur and enterprise.

Why can't we just have some one stand up and take the heat and tell it like it is? Why can't the Federal Trade Commission see what they are doing here, how every arbitrary rule made, changes the game and negatively affects hundreds of other issues of much greater importance. We need to reduce the regulations in franchising not increase it.

Requiring Disclosure to Foreign Investors, page 72

I agree with the Federal Trade Commission's Franchise Groups take on this subject. Such a requirement would kill franchising and only add to the trade deficit, restricting in country money flows, which we need here in the States to make up for problems right now in our deflated dollar strategy as we increase interest rates. The Franchising Industry if it is allowed to flourish makes for a great exporting strategy, but we must not kill the up and coming franchise companies who will be coming up with these new innovations and inventions, or prevent existing companies to use the franchising model as a method to grow and export our products. The Federal Trade Commission makes some good points on page 74 of this report to illustrate the point of hardship for franchisors if this were to be required.

Federal Trade Commission Website Needs Updating

I would like to advise the Federal Trade Commission that their "Consumer Guide to Franchising" needs updating as some of the information there is misleading and a misrepresentation of the industry. It is a good idea to have no doubt, few could argue otherwise, but franchising is evolving and it is not a one size fits all industry. With this new re-write of regulation and hopefully some downsizing of the MUD, we should be taking into consideration the many different industries which have never been franchised before coming into the loop and recognize that some of the information will not fit all of these new industries or the hybrid co-branding models. That should be reviewed immediately by the IFA, using franchisees, post sales process franchisees in good standing, franchisors and Steve Toporoff. It should include whatever definitional changes that come with this new franchising rule changes. It would be nice to reduce regulation and put on the Federal Trade Commission website confirmation to consumers that little fraud exists in modern day franchising, because that is the God's honest truth and the Federal Trade Commission should deal in factual information. The Federal Trade Commission should not be scaring consumers using fear tactics into becoming conspiracy theorists of the franchising model.

Franchisee Associations page 191:

Franchisee associations are unions. In the modern business world if a group of employees want to form a union and the employer doesn't want it then the employer has a right to close the company. I believe franchisors ought to be allowed to put in the contract that if any franchisees get together and form a franchise association to use as collective bargaining power against the franchisor, other than an association approved by the franchisor, then the franchisor should have the right to terminate the franchise contract with all franchisees in that region immediately and shut down further operations under that brand name in that area indefinitely. When a small group of franchisees in one area use such unnatural market forces as a weapon against a franchisor then the franchisor has less ability to service the rest of the system and therefore other franchisees in other parts of the country or world will not get fair and equitable time and energies of the franchisor, thus those other franchisees will be damaged. This will force those franchisees to start their own union (association) and demand for their rights. This will tear down the franchise system with infighting and the Federal Trade Commission should not condone such behavior as it damages franchisees who are without representation and are forced to join the association, thus they are forced to join a group that they did not know existed when they signed their franchise agreement. A group they may not agree with and a group, which may not have existed at the time they bought their franchise.

As a two-term board of directors member of the AAFD Association of Franchisees and Dealers I watched as franchisee associations were formed by class action franchisee attorneys and they took down some rather top notched franchise organizations. And in doing so hurt the investing public, consumers who had purchased franchises and relied on the assistance of the franchisor. As the associating started to gang up on the franchisor, the franchisor was so busy defending against the onslaught of sometimes frivolous law suits that they could not perform their obligations as franchisor. I do not believe the Federal Trade Commission should have any guidelines as to the use of franchisee associations. There are many great companies without unions who generally provide a greater efficiency in the market place to consumers and definitely higher productivity, this is great for consumers of goods and services and the general productivity of the nation. A franchisor should be allowed to put in his documents that; "if you buy this franchise you agree not to form a franchisee association or union of franchisees."

I do not believe that the Federal Trade Commission should get in the middle of the franchise relationship because a group of lawyers representing franchisees advised them to do so in these commenting sessions. Franchisee attorneys stand to make a windfall on such changes in the rule and that impedes the franchise model and means less companies will use it. This means slower growth and fewer jobs in many parts of our country, which could use a little boost. Like OR, WA, OH, PA, WI, MS, etc.

The Federal Trade Commission has no business in commenting on that point or telling a franchisor what they can or cannot put in the documents regarding unions or franchisee associations as they would like you to call them. If a franchisor wishes to allow such associations and it makes sense, then they should be allowed to have them. If a union is formed against their will they should not be forced to acknowledge it in the disclosure documents. This is a tool, which the franchisee attorneys wish to use as a way to force franchisors to serve their will. Ultimately leading to lawsuits and more work for attorneys. They are using government to force this on franchisors rather than allow franchisors to enforce their system to protect their trademarks and good will thru standardized methods and consistency. By allowing the playing field to become unbalanced and by taking sides the Federal Trade Commission will cause problems for franchisors and franchisee consumers who spent their life savings for the franchisor's assistance. If you allow the franchise system to be attacked from within and allow the unions into the disclosure documents then as new franchisees come on board the franchisee associations will do a smear campaign just like modern unions do. You will have Guerilla Tactics and Primate Politics invade our franchise model. It will lead to possible insubordination, increased litigation between franchisor and franchisee, thicker documents due to the upcoming increased litigation disclosure rules discussed in this report and all this further breaks down the franchise system and divides us. Similar to the media, lawyers at the polls and this last election, dividing America in 52%-48% ratio. Many great companies have been ruined by unions, unions have helped many workers, but it is best if the free market decides this on its own, with the Federal Trade Commission staying out of it. If the franchisor wants to allow them, great, if not, they should have available options of closing the region and terminating contracts immediately. If enough franchisees got together and the issues are that serious then the franchisor will have to listen because other wise their business will shrink in half over night and the lawsuits will be overwhelming. Let the free market decide these things.

[End of Part II](#)

There are other issues we need to discuss in franchising if the Federal Trade Commission is going to continue to regulate or referee this industry correctly. I will discuss these items briefly so they can be brought to the forefront.

Destroying Free Enterprise.

Free enterprise is where buyers and sellers of their own free will come together in trade through a common monetary instrument. If a franchisor is forced to offer or send out information of an offer to a “prospective buyer” that he is unsure that he even wants to do business with, then in fact it is not free enterprise. It is forced enterprise. When Government is forcing one party against their will to do business with another party whom they are not sure about, that is not free enterprise, actually it is not even close. This is not a toy at one of the remaining mall location Toys R Us stores sitting on a shelf where anyone can walk in and view it and the price is set. This is franchising and it consists of many other issues. It is an ongoing relationship, which might span 20 or more years. You would not marry a person or propose a marriage until you felt you knew the person better. Franchising has been described as a marriage by many organizations such as the SBA, SBDC, FTC, IFA, AAFD, Women in Franchising, AFA, NFC and others. In college textbooks I have often seen the statement comparing Franchising to a marriage. The late great “Dave” founder of Wendy’s in his book describes it as a marriage. It is also in other books I have read. When giving speeches at colleges to business students I have used this analogy and never once has the professor pulled me aside afterwards to discuss such a comment. It is a common analogy and it fits and we should treat it as such. Forced enterprise is very socialistic in nature and would not fit into the current structure of capitalism. Forced marriages do not exist to any large degree in America and neither should forced franchised outlets.

Business Plan Debate for Expedited or Early Disclosure.

I have heard franchise attorneys say that prospective franchisees need the disclosure documents early on so they can make a business plan to see if the franchised outlet is feasible and I debated with them over this point of contention. Potential franchise buyers have also told me they wanted to put together a business plan for their evaluation process and therefore they need all the disclosure documents. They ask for these documents before they fill out the confidential questionnaire. We of course do not send out a UFOC without a completed questionnaire which has been verified and we know the applicant meets our general approval and then check credit sources to see if they can actually afford it.

We have had potential buyers fill out the questionnaire and leave information out, because they did not feel comfortable with problems associated with identity theft and still want the documents. So that consumer puts us at a standstill. They want to put a business plan together to estimate the worthiness of the business, but need to know all the costs associated with it before they give us their information. Yet that information is readily available on most franchising web sites already. Of course we need to determine if they can even afford it (if they cannot we cannot spend the time on the sales process) or determine if they are one of the huge percentage of all inquiries that are competitors before we give away information contained in the UFOC. To top it off, we cannot assist them with earnings because we do not give earnings claims because we do not collect the data. This is because under the current rules we cannot substantiate or choose not to go to the expense to audit that data even though we know the answers after being in the industry for 27 years. They can call franchisees once they get the documents if they wish. But we cannot give them the disclosure documents pre-maturely. Now the FTC wants us to offer a UFOC because a potential buyer wants it or has asked for it and we have discussed our opportunity with them. The potential franchise applicant wants to make a business plan of our business model, that we do not wish to offer to them or even sell them at such early stages in the sales process?

A potential buyer wants to put together a business plan to get funding to buy a business for which he/she does not have the cash to buy. In order to get a loan, they will need a business plan. But any business plan they put together will be in contradiction to the absolute franchise business model that the franchisor will reveal after the actual purchase, we cannot reveal it sooner otherwise it will be copied and used against our team. I have heard FTC people say that they believe the potential buyer has a right to the information necessary to put together some close representation of a business plan of the franchise they wish to buy to determine if they should buy the business. Whereas this seems like a good idea on the surface the FTC has put into place rules making it impossible. They believe that this type of added disclosure sooner in the buying process will help. Yes it could, but a franchisor cannot provide the information unless first he can substantiate it and second unless the potential franchise buyer can prove he is a real buyer and can afford the franchise. We believe the answer to this concern lies on the back of the potential buyer to fill out a questionnaire truthfully and correctly and for the franchisor to verify data on that application before disseminating any additional information. At that point our company provides for the potential franchisee to go work with an actual franchise for one day and bring a calculator. We can provide a blank spreadsheet with typical expense categories on it but no numbers. The potential buyer in our franchise can visit a current franchisee and bring his/her calculator. And of course the disclosure documents

will be provided once the proof of financial capability has been satisfied somewhere in the application process time frame.

It also appears from observation that no one really seems to understand the franchising model outside the actual industry practitioners, attorneys in franchising and those who own franchises. The FTC certainly does not see the whole picture. I would invite Steve Toporoff and/or the entire FTC Franchise Group to go on a paid sabbatical and work in a franchisor's sales department sometime and listen to real franchise buyers ask questions, competitors trying to get information and the obnoxious looky lou's. The FTC should also send four or five of its highest-ranking franchise sector employees to do the same. I think if that were done you would begin to understand the ridiculous nature of enacting such a revised disclosure rule and you might ask yourself why we have a franchise rule in the first place.

But the FTC is not the only organization that does not understand franchising. I spoke at the SBDC's Annual Conference in San Diego, CA a few years back. In the workshop on franchising I had about 50 directors from around the country from the SBDC bombard me with questions after giving my talk. I was dumbfounded by the lack of understanding and knowledge on franchising. Almost to the point of frustration and wanting to walk out, I was shocked these were the directors of some of the largest SBDC offices in the country. I carefully worded my answers to make sure they had understood the issues presented to them. Finally we made some headway and many stayed afterwards to continue the conversation because they knew franchising was a major issue with their clients who come in for counseling usually prior to getting an SBA loan or putting together a business plan for a franchised business. I got to thinking about the 550 or so Directors and Executive Management of the SBDC Annual Conference that were in attendance and wondered why weren't all the participants in our workshop? Instead many had gone to time slot competing workshops as that is generally how such conferences are set up. But what could be more important than franchising which accounts for 1/3 of every consumer dollar in the country and a huge chunk of the small businesses in the US. What other business model can claim 350,000 outlets would the SBDC – "Small Business" Development Centers Deal with? After all franchising is the largest sector in small business, not to mention accounts for the most efficient small business models. Executives of the SBDC should have training in franchising as compulsory.

FTC should be helping all potential consumers of a franchise to understand what franchising is, but look at the information put out by the FTC, all they do is call to attention all the possible frauds and tell consumers to watch out, just look at their web site. You would think every franchisor is a crook. We all know crooks do not last long in franchising, it just costs too much to even get started, crooks are

looking for easy kills with little work. You will find nothing of the sort in the franchising industry. I think the FTC's tact is a travesty, because some people will lose all their money if they start a small business, franchisors require structure and help people realize their American Dream. You would think that the FTC would applaud such efforts. Instead the FTC purports that the franchisors are fraudulent at every corner, bull! Fact is that the FTC is grandstanding and purporting their own importance to the consumer, offering hundreds of questions that potential buyers should ask of franchisors before purchasing and then making rules prohibiting the answers of the exact questions they recommend to ask through their own rules associated with disclosure. I cannot vouch for the current people of the franchise group but in the Clinton years it was certainly like this. I see a couple of familiar names still associated with the franchise division there, have things really changed? If so shouldn't we be able to tell from the FTC website. In case anyone has not yet got the picture, Franchising Mean Jobs. Jobs are good. Franchising is therefore good and we ought to make a note of it. With giant happy face right smack on the FTC site. Franchising Industry receives award !!! If you need a spokesman, no one believes that more than this kid right here.

The SBDC has hundreds of sample business plans on file to help potential small business owners develop business plans. But none are sample business plans for a franchise. I have in my personal business library, which travels with me ten books on how to write a business plan. None of them have a sample business plan for a franchise business. It is not taught in schools including the curriculum at the Entrepreneurial Studies at USC. I know because I talked with some professors there and then bought all the text books for the classes. Only one or two schools teach the compilation of a franchisee business plan in their entrepreneurial studies courses and then they simply mention it. This is in the whole country, why? Because it is not getting the juice for the most excellent business format and model it is. The FTC should led the field in this regard to alert the public to that fact. Our company has just devised a "fill in the blank business plan," which we may use to help qualified franchisee buyers. The franchise buyer can call up existing franchisees and decide what numbers should be put into the plan. These are what the franchise buyer really needs, but of course not until they are qualified.

The early disclosure debate for reasons of making a business plan of a possible franchised business does not hold water. Even once the potential buyer of a franchise has the UFOC there are no sample franchised business plans available in most franchise companies. In any franchise the potential buyer must fill out a form and prove financially capable before such information can be given out. In some registration states this would be considered advertising and be subject for review and once reviewed this would go into public record and therefore it cannot be used at all since it would be pre-signing of agreement. The franchisee does not need a disclosure documents prior to the qualifying, nor should a franchisor be

required to give it out. If a franchise buyer makes a business plan or spread sheet for a possible future franchise it will surely be incorrect because the franchise buyer does not know the ins and outs of the franchised business yet. Therefore the franchise buyer maybe leading himself into a falsehood of how he believes the franchised business works and what his new franchised business and new lifestyle might entail. In other words he will be fraudulently inducing himself to buy something on bad information, if the franchise buyer were to show this to a franchisor, the franchisor is not allowed to comment for fear it might be construed as an earnings claim as you probably guessed.

We have had many recent potential buyers ask us for the UFOC so they could write a business plan before accurately filling out the application, or before we had a chance to verify what they filled out as being true and correct. This is not a good argument from the potential buyer, FTC or franchisee attorney. First you must qualify and be verified before we give out data for any purpose including writing a business plan for a franchised business. After all you could be a student doing a project and the business plan you write could appear in the next years text book for the publish or perish professor. It could end up on the Internet, which is what happened to one of ours that was written by a prospective franchisee in Little Rock, AR after a counselor of the SBDC felt was her duty thus disclosing proprietary information of our system to all. Thank god it was written by a prospective franchisee and was actually not correct entirely otherwise that would be copyright infringement, which we as franchisors claim on all proprietary information. It does a disservice to the hard work of many franchisees and the franchisor himself to give out such data or make it available to the public in anyway. It also invites competition to the franchisees thus inadvertently gives a competitive advantage to those consumer who have already purchased franchises trying to get a fair and reasonable ROI to feed families, buy soccer shoes and send kids to college. This is another reason why UFOCs and other information should not be allowed to pre-qualified individuals, the information they create as a business plan ends up all over the place. What if the potential buyer builds a business plan based on UFOC data and then starts their own business, deciding not to buy the franchise? The FTC would say that is their right and so it is, however my franchisees would be totally upset that I allowed data to help a future competitor of theirs into their market. I have a responsibility to that consumer too. He is a real consumer, he is a current franchisee and it is franchisors job to see that they are able to achieve up to their ability to follow the system.

Since a business plan is not necessary until you are sure you want a franchise and are qualified and accepted by the franchisor as a qualified franchise buyer, the business plan debate and justification for an early disclosure is invalid. There is sufficient competition in franchising and a potential franchise buyer, who on average I am told by FranchiseOpportunities.com, looks into 15 or more

franchises before deciding which one is most suited to their lifestyle, needs for cash flow and amount of financial where with all available. So therefore we can see that until they narrow their selection, there is no need for them to have fifteen UFOCs to make fifteen business plans, which no one would ever do who was not a doctoral student of business, that is not even required for the IFA, Franchise Executive certification program. And alas the doctoral student would not be a real buyer anyway so no franchisor should be obligated to give them such information based on this business plan debate. Now if the potential franchise buyer had accurate and comparable information then of course this business plan point could be valid. Not actually a business plan as much as a “T” on a piece of legal paper of the pluses and minuses of each franchise being considered. A person not familiar with UFOCs like most all real franchise buyers would have a problem going through all the information trying to find the comparable data. And by then his coffee table next to the couch would buckle from the weight of 15 UFOCs when the house cat sat on it, just ask Robin Glen Day, franchise attorney and cat lover out of California. Check out her cat on her website, how cool is that, not bad for an attorney, google her name you can find the site?

The SBA is another organization that does not understand franchising. You may recall a few years ago the SBA contracted with FranNet to put all UFOCs on the Internet for streamlining SBA loans of their preferred lenders. First thing FranNet did was send a sales letter to all franchisors telling them they could now get other franchisor’s and competitor’s UFOCs for a fee. In addition they went through all the UFOCs submitted and did studies you could buy too. This illustrates my point regarding the competitive intelligence and proprietary information being given away due to the lack of understanding of the competition in franchising and different market sectors were the franchisors operate and compete. Obviously FranNet with their coup from the SBA contract would never offer such a service if it were not a desire of the competitive market place to get the information. Yes, I ordered my competitors documents and yes it helps me beat them in the market place. Yes it is unfair, but they are also doing it to me. No, we did not after that point bother dealing with the SBA or FranNet. And yes we turn away most applicants who answer our question of “where will you get the money to buy this franchise?” on our questionnaire; “from a small business or SBA loan.” As soon as the franchise buyer submits the documents as part of the loan package there is a possibility of it becoming public record. The UFOCs contain so much information, such as P and L, Balance Sheet, experience, number of projected units, location of existing units, etc, etc that it is in essence the same or better than going through a competitor’s office files or trash. This over disclosure promotes Machiavellian tendencies from competition and condemns the noblest of franchisors to spend to guard against it. We did have a preferred SBA lender forward information about our franchise to a friend of his from the Rotary Club who was a strong competitor and owned a carwash in that region. The competitor

then contacted us for more information about what we were doing. Apparently the FTC, SBA, and SBDC do not understand the competitive nature of business in America and freely help competitors under the guise of helping consumers. Whether or not they realize it, I believe they must, as only an idiot would be so blind to the fact. Many times the competitor turns out to be the actual agency or organization. Franchisors must be careful to not give away proprietary information otherwise it is of detriment to their system and could hurt the very franchisees they have enlisted under their wings. These current franchisees and I cannot emphasize this enough are also consumers. They are real consumers, unlike those inquiries which are un-financially qualified and/or competitors.

Call to Disband The FTC's Franchising Division.

I urged previously Senator Dick Armey and his staff in 2000 to review seriously the important decision to scrutinize the FTC's franchising division. Today, I urge the administration, the GAO, Senate Subcommittee and other governmental oversight bodies to curtail the efforts of the FTC to further over regulate the MUD plaguing our industry. How much should the FTC's franchise group be downsized? We see by the introduction of this proposed rule that they have over stepped their usefulness in franchising, so perhaps that division should receive no funding and be immediately disbanded. I have an interesting case study and 2000 pages of proof of innocence of an action taken against my company by the FTC. It is really incredible to read considering the FTC moved to seize bank accounts based on competitor's complaints and declarations. The competition in the future does not appear to be coming from the marketplace. That competition is not too bothersome compared to the FTC. The new competition is agencies like the FTC against American business. And we are seeing exactly saw happens now with all the layoffs of 2001-2003, we need not repeat that again in an exacerbated business cycle. I am still trying to figure out why I as a consumer was damaged by Microsoft for receiving a free web browser. Last time I checked "free" was my favorite price. Who is the FTC to tell me the consumer of my own free will that I am wrong to want to buy Microsoft products?

A question you are probably wondering is can the franchising industry survive without the FTC? The question should be more like how much can the franchising industry thrive without the FTC piling more minutia on its backs. Why is it up to the franchising industry to stop the horse and why are you trying stop the horse anyway (referring to the statue outside the their building). Do you have something against horses? I was quite concerned when I went to visit the FTC and discuss the case they filed against our company. We sat in a room and answered questions, before we started and after our meeting concluded of the investigator stood and was watching my rear end. Although I am from California and tend to

let things like this go, I was offended as my wife was present. He was not a bad looking guy and said he was 26, but surely he would have no problem in Washington D.C. finding a date to suit his needs. I thought that was very inappropriate. Also I got to thinking that the name of my company is The Car Wash "GUYS," then I wondered how much did that fact have to do with the singling out of our company as an FTC target to prosecute. Or worse off how much of the name "GUYS" in our brand name had to do with the prosecutor choosing us as his for next assignment? And how much of this fact has to do with the ongoing phone calls and harassment we keep getting. Is this a psychological stalking type mentality occurring? Should I just not worry about it since the FTC settled the case with our company and it is over, or should I be concerned that some one still likes me? This is a true story and I have a problem with any agency, which cannot put away personal issues like these and others to do their job. Is this the reality of the FTC, is it internally really this pathetic? I did not question anyone's sexual preference nor should anyone question mine just because I am happily married. We should stick to the issues, without grandstanding. I am putting the FTC on notice of this issue as after this letter is read over, I do not wish all my suggestions to these proposed rule changes to come back and haunt me, they are my honest opinions and I have a right to be heard and the FTC has the responsibility to listen and public comments are to be taken seriously. How can I be sure the FTC will not once again target my company, we made comments in 1999 also and this was just prior to them opening a case against us, these are some real questionable issues, which also must be addressed as I pursue funding deletion of this division at the FTC. Will they come after our company again, they probably will not get very far. Although I bet they try. Individuals who give Public Comment when the FTC has solicited them should not be harassed for their sincere opinions in the form of a lawsuit against their companies. I have not said anything in this letter that I am not sincere about. The FTC needs to look in the mirror and fix the internal problems there and continue the mission of Truth, Justice and the American way for the betterment of citizen and country. It must be done. We must hold government accountable as well as ourselves for we are all one.

If this proposed rule making exercise costs \$250,000.00 of taxpayers monies, we should have them less often. We could have used the funds we would have saved, by the wasteful tendencies of a runaway agency to strengthen franchising and small business and for education on franchising for the public. We could have used this time, effort and these resources in Forming a task force with teeth to cut red tape, revitalize American small business and help with ways to educate new entrants. We could enlist this task force to come up with new innovative ways to encourage small business and help fund programs working with the private sector such as my plan to further increase funding for small businesses and franchising:

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The New American “BOMBS” Program

Business Opportunity Means Better Success

Objective: To provide a consistent, reliable and uniform source of small business financing that can be made available for distribution throughout the country. Help American’s achieve their American dream of starting or continuing to develop a small business with financial and business assistance through a coordinated and uniform system of small business loans. These notes will then be packaged and offered to the public and private markets as a bond type-investment.

Description: Uniform non-collateralized small business loan

Amount: Issued in loan amounts of \$50,000, \$100,000 and \$150,000 to the loan recipient. Packaged and offered to the public and private markets as an investment in denominations starting at either \$5,000 or \$25,000.

Duration: Durations of 5 to 10 years

Yield: Estimated at approximately 150% of the then current conforming GNMA notes

Additional Requirements: Attendance and passing of an approved vendor Certified Small Business Loan course before the processing and approval of a small business loan. This course must be taught in a class room setting and must be no less than 20 hours in duration.

Further Objectives: To provide a securitized vehicle that will allow American’s to invest in the future of America. These small business notes (packaged and promoted like the popular GNMA securities) will have a low initial purchase amount and an attractive yield for investors who want to help build the future of America while also receiving an income from their investment. Theses small business loans will be made available through out the country on a uniform, coordinated and equitable basis from non-government lending sources. This vehicle can add an immediate source of needed funds without relying on government programs. Institutions and companies can opt to join in providing funding for these small business loans. This program will lessen the reliance on extremely high interest rate lease and loan-shark type financing many small

business owners must currently resort to for funding of their dreams. In addition the small business loan participants will receive hands-on class room instruction on topics of importance and necessity for the operation of a small business to further assist in the survival of their business venture. People, companies and institutions across America can have a simple, patriotic vehicle to help invest in their future and the future of our country.

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We should be investing in America's future and find ways for more people to start franchises and other independent small businesses, not tying the hands of Franchisors, who hold the key to jump starting small businesses, increasing employment and bringing the economic recovery to robust fruition. Franchising promotes efficiency and sets the bar for competition and the consumer benefits from it. We should be turning towards the private sector and for answers, not to government agencies to dream up more rules and laws.

I find it interesting that anytime there is a problem or perceived problem someone in government comes up with a solution. It is always the same. I propose we make a another new law, rule, code, permit, condition, resolution, clarification, tax, fee, fine, act, decree, bylaw, directive, ruling, guideline, decree, declaration, decision, resolution, license, authorization, sanction, authorization, policy, system, format, charge, bill, statue or any number of other things that in the end all mean excessive regulation to business.

And may I ask the simplest of questions? What does any of this have to do with flipping a hamburger, changing a muffler, washing a car, sending someone on vacation or cleaning some ones house? Because last time I checked that is what the franchising industry does for America.

Rules for the sake of making rules will not make the world perfect and excuse me for saying so but the garbage they teach to first year law students that free society only exists when there is a set of standards for law is BS. The Taliban in Afghanistan also had laws based on god knows what/who? The best law in the world is that which can be avoided, that never has to be made.

The wonderful thing about making rules in government is once you make the first one you have job security for the rest of your life, must be nice. These proposed rules are an unjustified "piling effect" of minutia.

I look at the counterparts in other countries to the FTC. In those countries the agencies are there to spur on growth and economic development. Yet in our

country, the greatest country in the world, our great agency, The Federal Trade Commission, spends its money and funding attacking American companies, stifling free enterprise and hurting consumer choice by enacting burdensome rules which border on restraint of trade and at minimum cause severe barriers to entry in so many industries that could hold possible economic opportunity to average Americans.

There are adequate restrictions on franchising in place already to protect consumers. Over regulation hurts consumers and now the FTC wants to impose restrictions on franchisors protecting non-consumers, possible consumers and competitors. Why are we protecting the possibility of damage to a consumer that has not yet actually occurred and may never occur. You are not a damaged consumer if you did not buy a franchise yet, how could you be. For actual fraud to occur in principal you have to have been ripped off and the culprit disappears with your money, leaving you holding the bag, how can that happen in franchising? There is no fraud in franchising that is a Myth. How could you be damaged as a consumer/investor if you never purchased anything? Well then why is the FTC attempting to enacting a rule to protect people who are not buying anything or have not bought anything? And using as a basis for their endeavors 100 complaints in nearly a decade, all this after 350,000 franchise outlets have been sold. Even the franchise rights groups, rabble rousers and unions writing the letters in advance could not get more than 3 dozen people to sign them? What does this tell you folks? There is no fraud, unleash the reigns on the throats of the franchisors who are building this great nation, providing opportunity, helping people pursue happiness, my god I am on a roll after 90 pages, tell me, can you here me now? What is wrong with this picture why are we making more rules? To help lawyers? They have been helping themselves to the franchising industry long enough. We need some breathing space, America needs your help now. Reduce the drag and help lift this industry to new heights. Next paragraph

Conclusion And Thoughts For The Future

If you really feel that these new rules will solve something then make them in a way that they can be universal and simplified. Review this letter with regards to FTC-EZ forms for Internet Use. Laugh along with the content of this letter, but understand and see the problems from both sides. Entrepreneurs must be heard and feel good about the industry or they will move to greener pastures and other countries taking with them jobs, capital and knowhow. Move towards solutions, even if they take you all the way back to the drawing board, a complete re-write of the franchise rule is not such a bad idea, elimination, well even better. Practice what you preach at the FTC and look in the mirror more often. And above all step back and look at the whole picture and see how absurd all this has really become.

Oh and before you condemn the franchisors why not look at the changing world of the consumer attitude, buying behavior and their endeavors during the sales process. Realize that it is a highly competitive business world out here and we are getting more competition from abroad every day, and many of these new foreign entrants to our markets are much more Machiavellian than we are in the States.

I personally do not believe any of these proposed rules are necessary, as I do not believe we even need the MUD or the over regulations in the franchising industry at all, normal everyday market forces will enforce the survival of franchisors and thus prevent fraud. It would be “nice” if all franchisors had something on their websites for easy comparison for consumers, I think the industry is up for some guidance on such an issue with some great advice to help it along. The FTC should and could facilitate such. I do not believe it should be mandatory. It would be a much better test to see if the Franchise Industry can fix and/or address these issues to help along change. That would be an FTC and Industry move that would revolutionize the process and usher in a new beginning of things to come. Franchising is the future. Such a sign would signal a stop to this over regulation in all industries, which is choking off America. This is no time to impede the franchise model. Don’t destroy all we have built in franchising. This industry is filled with great people both past and present. It is filled with great companies who have made it among their main objectives to deliver the American Dream to those who are dedicated and willing to give their all in a business of their own. This can be done and we can make so, we can build a seamless marketplace where businesses and government work together for the benefit of all, creating win-win situations, which can withstand any kind of adverse economic pressure. It is an undeniable truth, and together we can prove it and return America back to the prosperity that it has taken so long to build.

I certainly hope that the entrepreneur will be heard, we work harder than anyone else and we are the ones who are responsible for all you see in our country, every where you go. You cannot go to the store, drive your car, even fall asleep in your own bed without seeing out work. All too often we are the forgotten ones drown in a sea Political Correctness and over regulation. Let’s not forget how all this got here. If you love this country as much as I and as much as my ancestors who came over on the Mayflower and enjoy the fruits of the entrepreneurial, innovative and explorer soul, If you love this country and all that we have, If you are thankful to live in freedom, please don’t forget us. We are merely the one’s who built it all for you. If it were not for such folks we would not be here today, we would not be the greatest country in the world, we would not have any of this really. Every time we make a rule or a regulation we hurt the Jim’s and Joe’s of the world in the beginning story of this letter. We need to reduce some of this regulation in franchising, because if you like what you see in this country now, you can have ten-fold if you will let us do our job, for the love and joy of building, creating and

yes making money too. If not, all that you see will not last, it will slowly disappear and we will join the hasbeens of great civilizations, which once showed great promise and have now come and gone, reduced to a mere footnote in a future history book or digital record.

You make the call, I have said what I have come to say.

My name is Lance Winslow and thanks for listening.

With kindest regards to an agency created to help the common good,

Lance Winslow

The Car Wash Guy

Title	First Name	*Last Name Required
Mr.	Lance	Winslow
Organization Name		
The Car Wash Guys (7)		
Mailing Address		
74-478 Hwy 111		
City	*State Required	Postal Code
Palm Desert	CALIFORNIA	92260
*Country		
UNITED STATES		
Comments		
Re: DISCLOSURE REQUIREMENTS AND PROHIBITIONS CONCERNING FRANCHISING Staff Report to the Federal Trade Commission and Proposed Revised Trade Regulation Rule (16 CFR Part 436) Overall comments and specific issues on the Federal Trade Commissions Franchise Rule and the Franchise Group in general as it relates and adds to the quagmire of over regulation causing increased litigation which is choking this country and stifling free enterprise and innovation. The textarea's script displays the number of characters you may use in your comments. You are limited to 4000 characters, which is about three 8 1/2 by 11 pages of text.		

Available Space: 3532 characters

**Attachment: FTC Comments
November 11 Franchise Rule
Fiasco.doc**

**File Type: Word 97 / 2000
document**